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# **Latin America Report**

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PICTURE OF LEFT AS SEEN BY ITS LEADERS

Bogota CROMOS in Spanish 4 Feb 80 pp 12-16

[Interview with Francisco Mosquera, secretary general of MOIR; Socorro Ramirez, Socialist Revolutionary Party leader; Enrique Santos Calderon, MOIR leader, and Alvaro Vasquez, secretary of the Central Committee of the Communist Party, by Heriberto Fiorillo; date and place not given]

[Text] At the end of last year, the nation's public opinion (I mean the common opinion of the people) had the impression that Colombia's left would participate in a single bloc in the midseason elections, the ones electing councilmen and deputies in every city and region of the country.

Firmes, a movement that emerged in 1978, had just called on every independent political sector and every political sector in opposition to the government to seek a broad agreement that would enable them to form in practice what was already beginning to be called optimistically the Democratic Front. But 2 months after meetings started, in November to be exact, the FUP [United People's Front], a coalition headed by the MOIR [Independent Workers Revolutionary Movement], withdrew from the discussion table. This was also to be done by the PSR ([Socialist Revolutionary Party], coordinated by Socorro Ramirez and Ricardo Sanchez), 30 days later, just as a joint declaration was about to be signed. If we add to this the fact that both UNO [National Opposition Union], basically the Communist Party, and Firmes ended by putting out different election slates in some places -- Bogota, for example -- a conclusion to be drawn at first sight would be that it was not possible at this time either to achieve the sought-after union of the nation's left and that the ideal of Firmes was still only in its original intention stage.

What is the truth in all this? How do these groups describe themselves and why did MOIR and PSR withdraw? How do the others describe themselves? What reasons motivate basically the division in Colombia's left? How do Firmes and the Communist Party explain their preparation of separate slates? We want the principals in this situation themselves to answer these questions: Francisco Mosquera, secretary general of MOIR; Alvaro Vasquez, secretary of the Central Committee of the Communist Party;

SOCORRO RAMIREZ, PSR leader and ENRIQUE SANTOS CALDERON, of the FIRMES movement. CROMON interviewed them separately. This was what they answered.

(Question) Why has the left been divided in Colombia?

Francisco Mosquera (secretary general of MOIR): The division of the so-called left, or of the revolutionary camp, is owing to the existence or influence of different classes in the revolution. This will continue to be inevitable until the proletariat sets its house in order, that is to say, makes its proper strategy and tactics prevail.

Socorro Ramirez (Socialist Revolutionary Party leader): One of the factors is the platform factor. How each group understands the country's situation and what alternative solutions it offers. Whether conciliation with the middle class or transition to socialism. Another factor in division is international alinements. In our opinion, it is regrettable that there are leftist sectors that attack the Nicaragua revolution. That there are Maoist sectors that do not struggle against imperialism and its interests hostile to the revolution in Afghanistan, Iran or Nicaragua, but rather echo imperialism in attacking the Soviet Union. Some action or other may be criticized, but the mistake cannot be made of siding with imperialism instead of backing up a worker state. Those are real, concrete divisions. Finally, there is style. The manner in which they operate. The Communist Party and MOIR have preferred to form a coalition, in almost every election, with the liberals, the conservatives or the members of ANAPO [National Popular Alliance], thinking that this is going to give them more votes. And, instead, their attitude redounds to their own division.

Enrique Santos Calderon (MOIR leader): I would say that there are three basic factors: 1. International problems. Colombia's traditional left has tended to be divided around centers of world power, loyalties. The Sino-Soviet conflict, which hit hard here during the decade of the 1960's and part of the 1970's, divided it and that was harmful to its acceptance by the nation's public opinion. Later, the Trotskyist sector emerged, also revolving around another power center, the so-called Trotskyist Fourth International, with headquarters in Brussels. That attachment to international problems made them minimize national problems and has been a factor in division and in nonacceptance by the people. 2. Doctrinaire training. Another attachment, this one to every schematic form of Marxism-Leninism. An ideology cult in terms of rejecting a realistic policy. Leftist groups that take revolutionary theory as a finished whole, as a kind of bible incapable of being modified. They try to adjust any national situation to that scheme. This superintellectualized plane has separated us from the country. 3. Importation of models. Every victorious revolution automatically becomes a model to be copied. We import it unalterably. The Chinese, the Soviet, the Cuban, the Nicaraguan model. When Castro came into power, we had 10 years of "foquismo" here in Colombia. All this is wrong. What every victorious revolution teaches is that it occurred, because its people were thinking with their own head and in their own country.

[Question] What is the FUP?

It is a front struggling for unity of the Colombian people.

Alvaro Vasquez (Communist Party): It represents the political point of view of Maoism. It is a sector of Colombia's lower middle class, existing in accordance with the international conception of Maoism. Basically, it is MOIR and something else called People's Democracy. Our differences with them are not because of their Maoism, but rather because of their stand with regard to national problems. They are against labor union unity. They left the Democratic Front. They fought with everybody. MOIR is coming closer and closer to those other groups, like the Camilist ML [expansion unknown; probably Liberation Movement], openly provocative and pro-United States, that do not hesitate to say that what must be done is block the Soviets, as they call us, and they harass the farmworker movement. Either it puts itself further apart from Peking or it follows the course of subservience to the Chinese and to the Americans, now in alliance. And many people will have to abandon MOIR, because no one in this country can be revolutionary and pro-American at the same time.

E. Santos C.: It is an attempt to form a coalition between pro-China inclined groups, in which the MOIR predominates as a force, with other small and very small unimportant groups.

[Question] What is UNO?

A. Vasquez: It is a democratic association trying to organize a policy of opposition to Colombia's present political system, which is profoundly reactionary, antidemocratic and against the people. It seeks redress for relatively limited demands. While the Communist Party struggles for a revolution, for a democratic, popular change toward socialism, UNO raises primarily the need for achieving redress for immediate democratic grievances. Therefore, it attempts to bring together popular sectors of urban districts, enterprises, universities, rural and city people, in commands or committees identified in their struggles against the system and the government. We believe that a democratic transformation, a solution to the national crisis in the direction of the rights and freedoms of the masses of the people will enable the workers to fight for their interests.

E. Santos C.: It is a coalition that came into being as a result of the alliance made by various leftist groups, primarily the Communist Party and MOIR, when they joined in an alliance for the 1974 election around the presidential candidacy of Hernando Echeverry Mejia. At that time, the left achieved its highest percentage of votes. Moreover, it attracted liberal and ANAPO sectors. When MOIR and other groups withdrew, UNO lost much of its meaning as a coalition and now it has in fact joined the Democratic Front, which represents a much broader possibility. By way of comparison, if FUP is MOIR, UNO is the CP.

F. Mosquera: UNC is one of the many pocket devices of revisionism.

[Question] What is Firmes?

E. Santos C.: It is a political movement under construction that states, on the one hand, that it is not aligned with any center of world power, but it is definitely aligned against the United States. We have no prior commitments with any party or foreign government. We evaluate world situations that come up. We are in solidarity with the revolutionary movements in the Third World and especially in Latin America. On the other hand, Firmes wants to develop and strengthen itself to vary the correlation of traditional forces within the left and to put that force in the service of a broad, democratic front that will also bring together various independent sectors and sectors in opposition to the Colombian system, in order to seek a democratic solution for the country.

A. Vasquez: It is an important movement of the intellectual and democratic sectors representing trends in Colombia's middle classes. On the other hand, it has sectors and prominent political persons coming from previous experiences, negative in a certain sense, like people from the former Socialist Revolutionary Union that was dissolved or from Ruptura [Break] that suffered the same fate. This fact seems very positive to us, because thus they have joined a movement with a definite democratic unity. Firmes is coming to fill a political gap between the strictly worker, popular and revolutionary sector and the democratic sectors of the middle class.

F. Mosquera: It is a group of impatient experienced prominent persons who are attempting, in 3 months, to establish a party, form a front and carry off all the votes of the opposition.

[Question] Why is MOIR withdrawing from the Democratic Front?

E. Santos C.: Because it wanted the front to set up a long-term struggle program immediately and definitely. And it regarded our program, only in the formative stage and undergoing constant change, as a reformist, and not a revolutionary, program.

A. Vasquez: MOIR excluded itself from the so-called "Declaration for Unity" for real and hidden reasons. It demanded a coalition that will provide for long-term struggles, radical and government changes. We believe that it was not opportune to raise those things. That what should begin to be carried out was a joint effort. In addition, MOIR demanded a movement affiliated with the point of view of nonalignment. Also for the 1982 presidential candidate not to be aligned.

F. Mosquera: MOIR never was in the Democratic Front. This was a rumor spread about persistently by some of the members of that coalition for the purpose of putting pressure on us to join it, or that we might be embarrassed to reject the opportunist, liberal conditions that we did not share. The old trick of stigmatizing contradiction as division. We merely

accepted the invitation to sit at the negotiation table to which we brought three minimum requirements: revolutionary program, democratic operating rules and nonalignment. The program, because the front would have to fight for the essential economic and political grievances of the oppressed classes, starting with liberation from the imperialist yoke of the United States and complete self-determination of the Colombian nation. Democratic rules, because the various parties in the front would have to have equal rights and duties. And nonalignment, because the front should not revolve in the orbit of any foreign power. As is evident, none of these requirement is exclusionary. On the contrary, they are intended for facilitating and consolidating cooperation of the groups allied in the struggle against the principal enemies: imperialism and its Colombian acolytes, the upper middle class and the large landowners, whose political expression is incarnate in the governing liberal-conservative coalition. Therefore, neither the Communist Party nor Firmes agreed to these just and reasonable demands, because neither one wanted to take on commitments that would prevent them from playing some very heterogeneous political cards in the future.

[Question] Why is PSR withdrawing?

E. Santos C.: The Socialist Revolutionary Party holds the concept that revolutionary changes can be made only with worker fronts. They wanted slates with worker candidates exclusively. They were in the talks originally, but when they realized that we did not have that kind of very restrictive policy, they withdrew. They are committed to plans already developed outside the country and when they depart from them, chances are that their international approval is taken from them. With them, it is a matter of their Trotskyist concepts.

F. Mosquera: The PSR withdrew alleging that, at the last minute, a project with which they did not agree had been added to the program. They did not share and do not share any idea of coalition with the liberal sectors. They demanded an exclusively worker front. We believe that, as a worker, it is possible to come to an understanding with intellectual and lower middle class sectors at a given time, to solve a situation like the one being experienced at present by the left in this country, repressed, beaten, persecuted, with courts-martial and those things, in which the most immediate objective is to win democracy, the possibility of organizing as a movement of the people and of acting to change.

S. Ramirez: We raised two essential points in the meetings. That the front should be without any ambiguity a class front that would make the unity of workers, poor rural workers and city workers possible, so that it would express itself independently of any party or middle class figure, whether liberal, conservative or member of ANAPO. Moreover, and as a second criterion, that the front should make a declaration of combat against the Security Statutes, the state of siege, scarcity, and for the second nationwide civil work-stoppage and freedom of political prisoners. A kind of declaration, I repeat, like the one made originally by Firmes,

that would unify and not put us in a discussion of a platform, because we are organized in different parties for that purpose, because, in the left, each one has proposals and views the country's situation differently. We were defeated on those two points. Since signing the program was made obligatory for being in the front, we refused to cease being socialists, in order to be in it. Therefore, we regarded it as unacceptable. Now, we understand that, at times, the workers democracy may express itself in support of a slate or another majority party, if it is made up with fighters who have no connection with liberals, conservatives or ANAPO residue. For example, in Bogota we said that the slate drawn up by the Communist Party was very positive. For that reason we requested that the ones on it not be negotiated, in order to open up participation to liberals and others, last-minute arrives, disguised under the epithet of independents or radicals. With that criterion we arrived at agreements in many cities where the slates are free of liberals, conservatives and ANAPO members and where our party, although not a member of the Democratic Front, engages in unity of action with it, without being obliged to share its line. Thus we have achieved this in Atlantico, Huila, Cienaga, Valledupar, Pereira and, at this time, we are discussing the situation in Bogota with the Communist Party slates.

[Question] Why was there not a single slate of the front (Firmes and CP) in Bogota and other places in the country?

E. Santos C.: It was specified, in the front's original declaration, that an effort would be made to put out joint slates, but the front's policy was not going to be limited by that. We believe that the front's representation should be very broad, not made up necessarily of members of the various groups and parties forming it. For example, in Bogota we are in favor of preparing a slate on which political figures are combined with others that do not even belong to Firmes, like Alejandro Brand or Pepe Sanchez or Consuelo Araujo de Noguera. We called them. Many of us also shared the desire to participate alone in Bogota, in order to test our image and to take our measure somewhat, when an agreement with UNO on a broader slate was not obtained. It seemed tactically advisable to us. Because Firmes is a young movement, although it motivates the policy of the Democratic Front, we thought that we might dissolve there in the elections and it was not going to be known whose were the votes. In Santander, for example, we were of the same opinion. What must be pointed out is that, in spite of having separate slates, both the Firmes slates and the UNO slates are committed in defense of the platform of the Democratic Front.

A. Vasquez: Let me tell you that unity is not decreed, but rather is built up day by day. The Democratic Front has single slates for the council and the assembly in Bolivar, Antioquia, Cordoba, Boyaca, Caldas, North Santander, Risaralda and Caqueta. Elsewhere, there are single slates, but without Firmes, because that movement simply does not exist in those places. On the other hand, there are slates of ANAPO, or of the liberals and other sectors. For example, in Cauca, Choco, Huila, Sucre and Tolima. This

week, we are setting up single slates in Atlantico, Magdalena, Narino and Quindio. Now, we have different slates in Cesar. Within Firmes sector, headed by a gentleman named Ariza, tried to break away and set up its own slate. We drew up another slate with another sector of Firmes there. The same thing in Santander and, finally, in El Valle, where the Firmes people abandoned joint meetings. The differences were caused by regional, local and personal problems. Political movements consist of human beings. There was no agreement on a single slate in Bogota and Cundinamarca. We demanded real representation of what the front was. In the last period of elections, the UNO, obtained 22,500 votes. This meant, at any rate, that we were sure of one councilman. We thought that this had to be taken into account. Thus we aimed at having the principal first-line candidate be a Firmes comrade and the alternate one of ours. They believed that the whole first line was theirs. In addition, we believed that, if the Firmes names on the slate were not prominent persons who would contribute new aspects to the debate, certainly like Santos Calderon, Gerardo Molina or Luis Carlos Perez, then it was not worth the effort. A slate with the same individuals as always, was not worth the effort. It was a problem of conception of slates. It is possible that each one of us with a different slate will win our councilmen and will work on the council with a criterion of unity. A few days ago, we signed a declaration in which we all reaffirmed the unified policy of action and our adherence to the same principles. We agreed that where there are no single slates, there will be two, but none will use the name of Democratic Front. At any rate, we shall continue to work together.

S. Ramirez: In the PSR, we believe that the break between the Communist Party and Firmes with regard to slates is of a bureaucratic and electioneering nature. Unfortunately, they did not break with liberals, conservatives and ANAPO members, but rather between themselves, when they are the ones who should be united for these elections. Surely a problem of seats.

[Question] With MOIR out of the Democratic Front, is Firmes frustrated in its attempt to unify the left?

E. Santos C.: No. The initiative of the Democratic Front is long term. In this election campaign, we have formed a union of four groups: the CP, Firmes, MIL [Independent Liberal Movement] and ANAPO. We made our call for unity also to the broadest sectors of the opposition liberal and conservative groups, and the Trotskyists, because we had to be consistent with the unity proposal. Then, the old quarrels and differences of the traditional left, against which we have fought so hard, came to the surface. Our left lacks maturity, political realism, an overcoming of antagonisms stemming from international loyalties and alliances in the past. We hope that MOIR will come to reason and join the Democratic Front sooner or later. We believe that a coalition with independent, social sectors of the people that are emerging in many cities, in addition to independent and progressive liberals, is of a priority nature. We believe that the Front will take hold after the midseason elections. Now,

many liberal groups; the ULP, expanding unknown orders, for example, want to be measured as a force against the government and its supporters. The same applies to the group of Luis Carlos Galan and Villar Borda. The mid-year elections are a thermometer on the regional level, so that the groups can size themselves up. Therefore, there is a reluctance to merge. But we are sure that in the presidential election, the front is going to achieve a much more vital development.



Francisco Mosquera (MOIR)  
"We have never been in the Democratic Front; we talked and did not reach an agreement."

"UNC is one of the many pocket devices of revisionism. Firmes is trying to form a front in 3 months and carry off the opposition votes."



Alvaro Vasquez (CP)  
"In Bogota we did not achieve single slates with Firmes, because it was not worth the effort with the same individuals as always."

"Many people will end up abandoning MOIR, because, in this country, no one can regard himself as a revolutionary and be pro-United States at the same time. It should draw apart from Peking or it will end up subservient to the Chinese and the Americans."



Socorro Ramírez (PSR)  
"We refused to be in the front,  
because we would have had to  
cease being socialists."

"The break over slates between  
the CP and FIRMES is bureaucra-  
tic and electioneering in nature.  
In our opinion, it was purely a  
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Enrique Santos Calderón  
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"It is tactically advisable for us  
to participate in this election  
alone, in order thus to take our  
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"In spite of having separate slates,  
the FIRMES slates and the UNO  
slates are committed in defense  
of the political platform of the  
Democratic Front. We shall con-  
tinue to work together."

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MOSCOW TIMES, NO. 111 OF MAY 1979

## USE OF SUGARCANE FOR CATTLEFEED INSTEAD OF SUGAR

Havana JUVENTUD REBELDE in Spanish 13 Nov 79 p 1

[Article by Luis Hernandez Serrano]

[Text] "Our current use of the potential of sugarcane is certainly limited, and we must strive, as Che said, 'to make sugar just one of the byproducts of the valuable wealth we can extract from this plant."

This was stated by Tirso W. Saenz, first vice-president of the Cuban Academy of Sciences, when he opened the Fourth Scientific and Technical Conference of the Cuban Sugar Research Institute (ICINAZ). It will meet until Friday in the Jose Antonio Fernandez Workers' Social Club in this capital city.

510 hundred people participated in the activity, including about 150 researchers and more than 400 workers from the Pablo Neruda plant, an experimental unit of the above-mentioned Institute of the Ministry of the Sugar Industry. Seventy technical papers were read in the fields of agricultural industry, processing, equipment, automation, sugar chemistry, pollution, instrumental analysis, corrosion, refining and thermal energy.

"Sugarcane," said Tirso W. Saenz, "must be more than sugar, bagasse and rum for us; it must be a strong pillar for our nation's food supply, by ensuring substantial supplies of feed for our livestock."

He pointed out that sugarcane must also promote the development of a national chemical industry, based on cellulose and furan, which will in turn provide the basis for a fermentation industry and the production of a wide range of products.

He explained that in order to achieve this goal, the entire agricultural and industrial technology revolving around sugarcane must undergo tremendous qualitative transformations, both in their make-up and their procedures.

Among the most important results of experimental practices introduced by the ICINAZ the last few years are: continuous crystallization of "C" massecuites, the development of blades for the processing of cane harvested

by combining it mainly in collection and preprocessing stations areas, the production of brown white sugar, and the development of methods to attain high cellular capture and use preparation.

He maintained that IINAR researchers have an opportunity to become better acquainted with the workers, to learn from their aggressiveness, their rights, their aspirations; while at the same time, the workers have an incentive to improve their qualifications and broaden their horizons of knowledge.

"The researcher is not a privileged person with a white coat who is most comfortable in his laboratory, nor is the worker an inferior being who mechanically carries out the instructions he is given: each one plays an important role in society," he stressed.

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## GUATEMALAN 'WETBACKS' PROBLEM IS GROWING

Mexico City EL SOL DE MEXICO in Spanish 16 Feb 60 pp 1-A, 12-A

[Article by special envoy Jose Valderrama: "Massive Invasion of Illegal Guatemalans: Constant Traffic Across the River and the Mountains"]

[Text] As much as 40 pesos to children barely 12 years old.

Capital too "escaping" to our country.  
Guerrillas, other "frequent" visitors.

Tapachula, Chis., 16 Feb—In its incessant self-laceration, Guatemala is today going through the beginnings of an exodus and hunger is turning its rural children into wetbacks.

When they cross the wild mountains of Soconusco to reach the coffee plantations, finding themselves discovered, these children leave the trails and scurry off like lizards to hide in the woods. Only when the "danger" is past do they advance on the plantations where they will be given work. EL SOL DE MEXICO has seen these children hiding in the woods and some of them are certainly less than 12 years old.

Deftly avoiding the rocks in their path, three of them, already "veterans," descended on the plantations. They had intended to keep going but finally paused. Martin Hernandez Miguel, 13 years old, his cousin, Juan Miguel, 14, and Miguel Francisco Tomas, 17. They were practically dragging their feet from weariness.

Martin, Juan and Miguel Francisco had reached Soconusco after 12 days of crossing high mountains in the region, starting from Huehuetenango. They had slept in the mountains, suffering the rigors of the weather and surrounded by wild animals. As they passed through the villages, they ate tortillas, sometimes beans and drank water from the rivers. Four days before, they had crossed the border at the Mazapa de Madero border point at 0200 hours while the guards were sleeping.

The Indians here in this part of Mexico have on three occasions been to the La Lancha plantation where they were paid 40 pesos a day. This time, they were returning in the hope that they would be paid 50. A fortune for them, for their families in Guatemala when we consider that children are paid 1% Guatemalan rentavio (based on the quetzal), or 17 pesos, a day, and on certain days, on Guatemalan plantations for working from dawn on.

Since 1940 many worked as field hands from the earliest possible age. Only Martin, the youngest, has gotten as far as the second year of elementary school.

A man was apprised, he listened to the tale told by the three little Guatemalan workmen and noted that, if any plantation were to pay them 50 pesos a day, at least 1% would be deducted for meals which in most cases consist of tortillas and beans. The three children silently advanced on the plantations, in this region largely owned by families of German origin.

#### The Beginning

This self-incarceration of Guatemala will be a long and painful one and, for ten or years, for many Guatemalans this border will mean a hope of surviving.

Immigration Department representative, attorney Isidro Iran Lasos, told this reporter that the number of Guatemalans daily entering the country illegally to work on the coffee plantations could be estimated at 15. There is, however, every indication that his figures are wrong.

In seven plantations alone (Santa Rica, Chivigas, Argovia, San Nicolas, La Victoria, Chininché and El Retiro), during the harvest season, or "campaña," beginning in August, there are as many as 15,000 workers, most of them Guatemalans. Managers of these plantations admit that at that time, during the preharvest chores, there are between 4,000 and 5,000 workers, "and most of them are illegal."

Over a stretch 500km long, these illegal workers constantly enter the country, day and night. Most of them look for work in this area but a good number of them have entered the Federal District and remote parts of the country, some also finally winding up on American farms.

The exodus includes Salvadoreans and Hondurans who are fleeing misery or political crises in their countries.

Disguised as tourists, entire families enter Mexico to take up seasonal residence or investigate the possibilities of living here permanently. They often bring with them their small capital, in cash or jewels. And the number of families that risk coming into Mexico with fortunes of millions of dollars in cash, "running all the risks," is growing, as the

mayor of Tapachula, attorney Jorge Agueda Sanchez disclosed. A bank official asked us not to print this because "that would be the same as warning the Guatemalan authorities."

A hotelkeeper from this city said that there are "odd business deals" here and did not exclude the possibility that many Guatemalan farmers are trying to buy Mexican plantations with the proceeds of the auctioning off of their plantations in Guatemala.

According to the Immigration Department representative, those in Tapachula who are looking for a way to settle in Mexico and invest their money, are instructed to "be extremely civil, not to behave in a discourteous manner." A well-to-do Guatemalan farmer rarely looks into the matter personally. He sends someone across the border who looks into what has to be looked into. This is barely the beginning of what can happen in the next few years.

The Immigration Department subdelegation stationed at the southern border annually issues 17,000 entry permits for workers arriving in the coffee-growing region of the State of Chiapas, but it estimates that the number of illegal immigrants coming from Guatemala and other Central American countries, whose final destination is the coffee plantations or other parts of Mexico, could exceed 100,000 in 1980.

Working in four shifts, 150 immigration agents cannot patrol an extended mountainous border, nor the long Suchiate River where illegal immigrants can cross at night and in broad daylight. If the Guatemalan authorities issue thousands of permits to cross into Mexico for 72 hours, in many cases these passes are used as "passports" to get to anywhere in Mexico.

Very week, three buses arrive at the border point of Talisman to drop off 111 illegal immigrants — 37 per bus — who have been arrested in different parts of the country. Hardly an operation symbolic of legality. Any one of these illegal immigrants can reenter Mexico anytime he chooses.

Farther east, across mountains over 3,000 meters high, there are passes that are regularly used by the illegal immigrants. It is believed that this could be a pass used by guerrillas trying to save their necks when the army manages to locate and flush out the guerrilla training camps in Northern Guatemala.

The words "I am fleeing and I need help" are not strange today to Immigration Department agents.

#### The Face of Tragedy

In the mountains of Soconusco, Guatemalan wetbacks, short, tanned by the sun, have the tragedy of the peasants of their country, victims of the big landowner system and persecution, etched on their faces in the form

of plantation workers and millworkers, mostiful and sad.

Their standard Spanish is limited and they speak only in disconnected sentences that manage to portray reality. For example: They are more humanely treated on the Mexican plantations. They have come to earn money to be able to take some clothes and food back to their villages, or dishes and tools which they cannot get there.

Many of them say they come from Quiche where "they pay very little and live like pigs," or they say they have no land, no work.

But they all agree that they earn 7 quetzals, 45 Mexican pesos, and often half that, in Guatemala. In Guerero, despite the fact that the minimum wage they ought to be paid is 154.17 pesos, most of them get 93. They said that they are paid 40 pesos a day for tortillas and beans on the Sierra Alemana plantation,

only tortillas and beans, and this was admitted by one of the cooks from the Argovia plantation, whose owner, Jorge Gieseman, appeared on the scene with a gesture of opposition and with the sole intention of driving the *EL SOL DE MEXICO* reporters away, asking them — but not before praising Mexican beer — to pretend that they had not been there, to speak "neither good nor evil" of Argovia.

#### The Cockpit

After tramping through the mountains or after a day's hard work from 0630 to 1400 hours, it is a relief for the Guatemalan wetbacks to get under the shade of "the cockpit."

There is a cockpit on all the coffee plantations, rustic and stiflingly hot. The cockpit is a large room divided into cubicles. Each cubicle contains 15 wooden bunks. The wetbacks come in, all sweaty, sharpen their machetes for the next day's work and lie down on planks to rest. There is a silent world of work and hope, because in Mexico they will earn scarcely a few pesos more. After resting, they have to go back to the coffee fields to lose themselves in the thickets with the whistling and buzzing of thousands of insects, to clear the brush, fumigate, strip off the leaves that have been devoured by caterpillars, all in preparation for the harvest. And the need, the ambition must be great indeed to work extra shifts on a taskwork basis to, under the best of circumstances, make a few more pesos.

The Guatemalan field hands who decide to enter Mexico legally come down from the mountains silently to the customs checkpoints and sit down to wait. Last Sunday we saw them in Union Juarez waiting for the Immigration Department official for hours. There were barely six of them. They came out with proper permits. Others came walking, illegal immigrants with no papers. Still others were in the bar, spending their wages.

One of them had just come down to Union Juarez from the mountains. He was Moises Bonnalez. He said:

"I have come from Retablero, Guatemala. Yes, to look for work. I have a 72-hour permit and I hope to get another one to work on the coffee plantations. Do you think I can go as far as Mexico City to work? Is there work there?"

"No, there is none. Don't go. There are a lot of people without work in Mexico City. Many have to go to the United States to work. Millions..."

"Then I'll stay here, on the coffee plantations."

The man, about 18 years old, said that he had not eaten in 3 days. We offered him four tamales wrapped in banana leaves. He finished them and devoured them without concealing his hunger.

Mexican small farmers also employ Guatemalan workers nowadays. They say they pay them more or do not pay them for their meals. We ascertained that they usually pay them the same wage and, if they pay for their meals, they only give them 6 pesos for tortillas and beans. On the plantations of Peru, El Portillo, Maravillas, El Calvo, Emburgo, Geneva, Irlanda, Santa Anita and many others, the price of a meal varies, but it always consists of tortillas and beans.

In a town on the stone-paved road that leads to the plantation zone, 30 km from Tapachula, a man said: "My name is Ricardo Lopez Agulera. I have four children. I am a Mexican and have worked on the plantations for 25 years. I earn 100 pesos a day but these men (the wretches) are paid less because they are not Mexicans. For years and years the owners have become multimillionaires on the backs of the peasants, Mexican and Guatemalan.

"If there were no Guatemalans in Chiapas, coffee could never be grown or harvested. Here, the Mexicans do not work much. So the Guatemalan has work, because he works hard. It is the same with cotton. Field hands have to come from Oaxaca for the harvest. The local ones are of no use. All the time, more people are arriving from Guatemala and are blending in with the local people. That's normal, of course. There, in their own country, they are persecuted and they die of hunger."

Another man, who did not want to identify himself, said: "Here, the plantation owners were just like they are in Guatemala, but times have changed. Many years ago the following happened: There was a Guatemalan in the brush, on his knees trimming a coffee tree. The boss approached him to see what he was doing and, as he saw that he was mistreating the tree with his machete, because he didn't know how to do the job, the owner said to him: 'Let's see. Lend me your machete.' He took it and gave that fellow a blow with the machete on one foot and he was bleeding all over. Then he said: 'That's just so you feel what the trees feel.' Then he told the others to take him to be treated."

A doctor from one of the plantation companies works, when a field hand is sick, he has to endure the pain, only in serious cases are they taken to the Social Security clinics, which have orders to treat Mexican or Guatemalan field hands without making any distinction between them.

The flow of wetbacks is constant. Many come to work for barely a month, preparing for how to feed their families. We saw them crossing the border through the mountains, across the Suchiate River at out-of-the-way points, entering legally through Immigration Department checkpoints or spreading in the tires used to ferry people across the river at 5 pesos a head to U.S. buses of Ciudad Hidalgo.

Entire Guatemalan families are lodged in little third-rate hotels that charge them 20 pesos a day until they can find jobs or move to other parts of the country, fleeing from terrorism, dictatorship and poverty in their own country.

Many men find work as construction workers, as is the case with several houses being built in the outskirts of Tapachula. Guatemalan children appear selling various products in the markets. Guatemalan women are already a familiar sight in the streets of this town, selling both clothes made in El Salvador and shawls made in other parts of Central America.

The bus terminals of Colón, Union and Progreso, which provide links with the border, are points of convergence for wetbacks and illegal immigrants.

In addition to all this, a growing number of Guatemalans come to shop or do housework to add to their income. An old woman who was crossing the bridge at Ciudad Hidalgo said that she came to Mexico every afternoon to buy bread, because in Guatemala things are so bad that they do not bake.

In 1970, 1,700 illegal immigrants were arrested on this southern border. Five a day. A critical situation in Guatemala would make it impossible for the Mexican authorities to exercise any control. While today such control hardly exists, for humanitarian reasons, no one dares to predict what would happen in this region if Guatemala should not find a solution to its tremendous social, political and economic problems. The farmers and many segments of the Guatemalan middle class are left with no way out in the midst of a tragedy that tends to deepen, caught between shortages and terrorism.

In many coffee plantations — 90 percent of them are owned by Mexican small farmers — yields have dropped to half of what they were: some 8 quintals per hectare, while the best still produce 20.

In the mountains of Chiapas many roads need to be built, roads along which an assumed growing production volume could be transported, one which would supply the overseas trade port of Puerto Madero, an as yet uncompleted project which has barely been begun.

The switch to tractor cultivation is beginning in Chiapas, in order to increase production and job sources, since many Chiapanecos are emigrating to the north, to Mexico City and the United States. The arrival of Guatemalans is already posing problems that will soon be magnified, since no one expects a speedy solution to Guatemala's problems.

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MEXICO

JOBs ARE THERE BUT NOT QUALIFIED PEOPLE

Mexico City EL SOL DE MEXICO in Spanish 11 Feb 80 pp 1-A, 10-A

[Article by Maria Estefan Unzurrunzaga]

[Text] Despite the fact that the high rate of unemployment existing in the country has become a priority item to be resolved, the "bottleneck" the lack of qualified people has developed into will give rise to a situation in which, of the 642,000 workers required by the industrial sector this year, 187,600 jobs will not be able to be filled.

A study on shortages of qualified, technical and professional labor conducted by the Nuevo Leon National Chamber of Processing Industries (CAINTRAL) reveals that in 1980 only 452,400 people will be capable of obtaining jobs in the industrial sector and there will be a shortage of 187,600 workers for the 642,000 jobs generated [by the economy].

The case of the specialized workers presents the most acute problem since, although 445,100 will be needed, only 281,300 of them can expect to find jobs and, notwithstanding the high level of unemployment, there will be a shortage of 163,700 specialized workers this year.

Needs for technicians will amount to 125,000, the supply to 105,500 and the shortage to 19,500, while of the 72,000 professionals wanted only 67,000 will be available.

In connection with this, Nuevo Leon CAINTRA director Jorge Arrambide Garza is of the opinion: "While many jobs for professionals and specialists are supersaturated, there is an urgent need among others which cannot be filled, to which in still other cases must be added the fact that candidates are inadequately prepared for the labor market."

The business leader emphasized that at present "the Mexican industrial plant is beset with a serious bottleneck: the enormous lack of qualified personnel," in the face of which efforts to generate new jobs, which this year should amount to 900,000 in industry, trade and the services, are canceled out.

The CAINTRA director pointed out that this difficulty could only be resolved if we go to the roots of the problem "which are buried in the lack of coordination between the education and production sectors."

And he noted: "The favorable picture which can be glimpsed thanks to Mexico's political, economic and social stability obliges manufacturers and the education sector to resolve any limiting situation by investigating all factors involved and seeing to it that the truth and common sense prevail."

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CSO: 3010

MEXICO

GENERAL AGREEMENT ON TARIFFS, TRADE DEBATE CONTINUES

'Official View' Given

Mexico City EXCELSIOR in Spanish 15 Feb 80 p 1-A, 21-A

[Article by J. Jesus Rangel M.]

[Text] There is a "trade struggle" within GATT in which a few countries have advantages, but it is a reasonable and stable framework within which to negotiate and seek respect for agreements. Outside GATT there is an "economic war" in which the powerful countries are the only winners.

If it joined the organization, Mexico would not dismantle its trade protection system nor indiscriminately open its borders. Trade has been liberalized during the 3 years of the current administration, and industries have not been closed down, nor has unemployment been created. There is no reason why the opposite would happen if we join GATT.

This is the official stand that has been presented to the private sector at closed-door meetings in various cities to answer questions about the advantages and disadvantages that the country might encounter in the event that it joins the General Agreement.

Emilio Goycochea, the vice president of CONCANACO [Confederation of National Chambers of Commerce], asserted that neither the imports nor the exports of the agricultural and livestock sector would be impaired if Mexico joined GATT.

He noted that there is no reason why massive unemployment would be prompted in this sphere and that if Mexico joins GATT, agricultural and livestock production would rise substantially because the capital goods for farm activities would be strengthened.

This stand is not shared by the entire private sector, and some, such as CANACINTRA [National Association of the Processing Industry] fear a possible dismantling of the industrial protection system.

In response to this concern, the official stand revealed at private meetings with the business sector in Nuevo Leon, Mexico State, Sinaloa and Jalisco, is that people should not be worried.

President Lopez-Portillo has stressed over the last 3 years that the country must reduce its industrial protectionism, and this is why the prior import permit is being replaced by tariffs.

"The policy pursued to liberalize our trade has been prudent and cautious and has at no time caused the closing of industries or unemployment. Whether we are part of GATT or not, we will continue this policy without jeopardizing the protection that our industry needs."

In its negotiations for membership in GATT, Mexico pledged to eliminate only 300 of its 7,500 tariff items in its efforts to consolidate its tariff structure; this represents only 8 percent of imports in 1976 and 10 percent in 1979.

Moreover, under the negotiations that have been pursued, current tariffs are being cut for only a very few items that Mexico imports, with final consolidation in 8, 10 or 12 years. Thus, membership in GATT will not entail problems for domestic producers, the dismantling of industries or more unemployment.

Diminishing industrial protectionism to a reasonable level, whether Mexico joins GATT or not, at no time means that we will open up our borders; rather, protectionism will be sensibly reduced.

The government realizes that small and medium industry requires support to meet future challenges within or outside GATT and is therefore setting up suitable mechanisms to provide it.

Such support includes subcontracting, special loans at preferential interest rates, consulting services, technical assistance and training for both workers and businessmen in small and medium industry. "The secret to successfully meeting the challenge is proper organization and training."

Moreover, both the industrial and government sectors realize that the rules of the game are broken within GATT and that the wealthy nations set traps to secure advantages for themselves.

The official stand, he adds, is that within GATT there is a trade struggle that is ultimately waged in keeping with an order that makes possible negotiation and respect for international agreements. Outside GATT there is an economic war in which the rich countries are the only winners.

### National Sovereignty Not Violated

At no time will Mexico's membership in GATT violate our national sovereignty, because no country can interfere with the individual decisions of another state. When international trade is involved, each nation logically seeks to protect its industries, and there is a suitable and well-defined course in GATT for negotiations and demands.

In addition, the Secretariat of Commerce announced that of the 1,329 tariff concessions that Mexico would benefit from if it joined GATT, 175 pertain to agricultural and livestock items, the rest involving manufactured and semimanufactured goods.

According to the list published today, Mexico would enjoy tariff reductions of up to 60 percent over 8 years from the main industrialized countries. The secretariat indicated that it would continue its consultations with the people, as begun last 5 November, to discuss everything related to membership in GATT.

In talks between public officials and the private sector it was also stated that there is no danger that our petroleum will not be managed in accordance with national interests. Oil policy will be subordinate to the interests of the Federal Government.

If the United States controls its exports of grains and scrap iron and Japan its exports of fertilizers, and they are members of GATT, then what is in Mexico's best interests, public officials ask. The answer: join the organization.

Moreover, which is better: to know that foreign trade issues that could affect the country are being discussed and to remain on the sidelines or to participate at the meetings and discuss and negotiate for our own benefit? The government's response is to participate actively.

When questioned whether it would be a good idea to join GATT, Emilio Gaycochea said that Mexico would benefit from membership, especially in the agricultural sphere, "because we are a country that imports a major proportion of what we eat."

The only problem, he added, is for the negotiated tariff items to be handled well. "And we are confident that the government will not be swindled because it is interested in protecting, not harming us."

In conclusion, he said that if the value added tax has benefited the farm sector in its purchases of capital goods, GATT would bolster

this process. In the case of agro-industry, its growth will depend on boosting output, not on joining or remaining outside GATT.

JLP: No Decision Yet

Mexico City EL SOL DE MEXICO in Spanish 16 Feb 80 p 1-A, 10-A

[Article by Arturo de Aquino]

[Text] A decision will be made very soon on Mexico's membership in GATT, depending on what is best for the country and in accordance with its priority interests and problems, President José López-Portillo told CANACINTRA industrialists, calling on them to give assurances that in any case we can grow at rates of higher than seven percent.

After listening to the industrialists' request to delay membership in the international tariff organization, the chief executive reaffirmed that the decision would be the result of the nationwide consultation that is currently being undertaken, which is regarded as the best way to settle what he termed a "very delicate issue."

In inaugurating the 39th Regular Annual Assembly of CANACINTRA, López-Portillo called on industrialists to join with the authorities in the struggle against inflation "but without having the contradictions resolved through futile confrontations or the occasional upheavals that become permanent."

At the close of the meeting the secretary of commerce, Jorge de la Vega, and the director of the Mexican Foreign Trade Institute, José Gómez Cordero, were interviewed. They agreed that Mexico would not be at all hurt if it decided not to join GATT.

De la Vega noted that the government has not yet made any pronouncement as to our possible membership, but with or without GATT our foreign trade will grow even more in the years to come.

He stated that what the country is basically interested in is securing membership with the greatest advantages, while scrupulously preserving our sovereignty, independent development and the National Industrial Development Plan.

These principles, he said, are rigorously safeguarded in the protocol on possible membership.

For his part, Gómez Cordero pointed out that Mexico has not made any commitments to GATT and can therefore delay or reject membership in the international tariff organization.

He noted that we still have a chance to ask for greater advantages, boost protection in certain areas or, ultimately, to postpone membership "for however long is deemed necessary."

If we do not enter, he said, nothing happens. This is a sovereign decision by Mexico. We have no commitments; we do not assume any responsibilities. The membership protocol is subject to Mexico's sovereign decision. If we do not join now, we can negotiate membership later on."

Moments before the chief executive inaugurated the CANACINTRA assembly session, the outgoing president of the association, Juan Manuel Martinez Gomez, stated amid the applause of representatives that membership in GATT would entail serious dangers for the autonomous growth of our industry and that therefore he felt that it ought to be postponed.

Before making his inaugural speech, President Lopez-Portillo told the industrialists that membership is subject to a nationwide consultation.

He noted that CANACINTRA's opinion would be taken into consideration with special interest.

The chief executive pointed out that the government would make its decision in consideration of what is best for the country, its interests and its number one problem: creating jobs.

Further on, he underscored other matters that he regarded as important, stating that Mexico is capable of growing at rates of more than seven percent, which is the only way to resolve its structural problems.

He said that it was perhaps harder to consolidate than to attain and that therefore we have to be very careful at the current juncture. "We have had 2 years with more than 7 percent growth and with our inflation we are now feeling the impact of these efforts."

The only way to emerge from underdevelopment, he pointed out, is by breaking vicious circles and reconciling economic growth with social development, and we have to give assurances that we can do it.

It would be disturbing, he said, if we were unable to reach agreement among ourselves because of our contradictions, shortcomings and inefficiencies, while at the same time having the capability of refurbishing our economy, as we have asserted over these last 2 years, and while possessing exceptional resources that are in great demand around the world.

Towards the close of his address he pointed out that if inflation is a limiting factor in achieving our goal and if growth is the solution, we must place emphasis on the one and exert efforts with regard to the other. "Gentlemen," he pointed out, "our only course is to join together, without allowing contradictions to result in futile confrontations and without allowing occasional upheavals to become permanent. That is our only course."

He concluded by calling on the industrialists not to lose their momentum because of "eleventh hour" domestic problems and to use their analytical ability to discern what the problems really are, thus helping the country to resolve its social problems, which are recognized today as a source of injustice and distress.

#### Membership Will Cause Bankruptcies

Mexico City: EL SOL DE MEXICO in Spanish 16 Feb 80 p 1-A, 10-A

(Article by Fermin Vazquez Legaria)

[Text] The public consultations on Mexico's membership in GATT have become an eminently political "shouting match" in the cabinet, the president of the Association of Industrial Economists and the director of the Credit Union of the Vallejo Industrial Association, Javier Avila Gonzalez, said yesterday.

He said that GATT membership would place more than 20,000 small and medium industries on the brink of bankruptcy because they would not be able to cope with the competition from foreign goods that would flood our market. For each product that Mexico would export, 100 items from all over the world would be allowed in.

In addition, he even hinted that the country's membership is already an accomplished fact, and he therefore felt that it would be a good idea to organize ourselves, not to determine whether we join or not but to discover the best way to participate in GATT and to stave off as much damage as possible.

Avila Gonzalez, a former official in the Secretariat of Industry and Commerce, a former representative of Mexico to UNIDO [United Nations Industrial Development Organization], a graduate of Cambridge University and an expert on U.S., Canadian and European industrial policy, granted an interview to EL SOL DE MEXICO.

The former UNAM [National Autonomous University of Mexico] economics professor stated that there are obvious pressures on Mexico to join GATT, but he cautioned:

"Our industry does not know how to export, the only thing that we sell is petroleum."

Moreover, he noted, only 40 percent of the products that the country consumes are manufactured here; we import the rest, mostly from the United States. Mexican industry consists of about 30,000 companies, 80 percent of which are small and medium-sized. The remainder comprises private concerns, the transnational corporations, joint capital enterprises, the semistate enterprises and the state-run enterprises.

The large firms would not have the slightest problem, because they have had an established foreign trade for a long time. On the other hand, the small and medium-sized companies would flounder and disappear amid the multitude of products that would vie with them in quality and price.

The small-scale domestic industry could not even compete on the internal market because it would "break up" when a number of more or less good products are introduced at more or less low prices.

As if this were not enough, this major sector, which provides a great many jobs, operates with obsolete equipment brought in from the United States, most of it second-hand.

Another disastrous feature of small and medium industry is that it is not operating at full capacity, precisely because of these and other problems. It is making 40 percent use of its machines at the most.

#### Membership Postponement Called For

Mexico City EL SOL DE MEXICO in Spanish 16 Feb 80 p 10

[Article by Maria Esther Unzurrunzaga]

[Text] The new president of CANACINTRA, Jose Porrero Lichtle, has asserted that Mexico's membership in GATT ought to be postponed for at least 20 years or so, while the Confederation of Industrial Chambers (CONCAMIN) will reveal its position in this regard next April.

Nonetheless, the CONCAMIN president, Ernesto Rubio del Cueto, stated that in taking its stand, the confederation would take into careful consideration CANACINTRA's opposition to our country's membership in the international trade organization.

Interviewed during the Annual CANACINTRA Assembly, Jose Perrero asserted that in not calling for membership in GATT, the chamber "is making a commitment to continue the development of the industrial sector and especially the manufacturing sector."

The business leader maintained that the national economy's growth in priority branches over the last 2 years would continue even if we do not join GATT. This will enable us to achieve the output and efficiency goals that the public and private sectors have set for themselves.

Our country's current circumstances, the CANACINTRA president added, will also enable us to sustain the growth momentum that we have had.

In addition, he contended that both the private and the semistate sectors have been doing their job, which has been highlighted by the figures and indicators that have been revealed.

Separately, Ernesto Rubio del Cueto reported that CONCAMIN has not yet concluded its analysis of the advantages and disadvantages of GATT membership and that its decision would be revealed this April.

#### Costs and Benefits

Mexico City EXCELSIOR in Spanish 21 Feb 80 p 6-A

[Editorial: "GATT: Costs and Benefits"]

[Text] Mexico's likely entry into GATT should be carefully studied in terms of its costs and benefits, as the president of CONCAMIN, Ernesto Rubio del Cueto, has recommended to the industrial sector.

The industrial leader is correct in recommending caution to his colleagues, inasmuch as the predominant attitude until a short time ago seemed to be a forceful rejection of participation in the General Agreement on Tariffs and Trade.

"Exhaustive talks" have begun in industrial circles to sound out opinions, but our guess is that the response will be as adverse as the stands adopted to date. The "cost" that membership in GATT would entail for Mexican industry is impossible to bide; the rumors of 50,000 bankruptcies could be borne out in practice if the necessary steps to prevent them are not taken.

This does not mean, however, that this serious damage is irreparable. If the reason for it is that we are not competitive with foreign industry, which would find smooth and easy access to our markets,

then the best thing would be to boost our productivity by enhancing systems, which would directly benefit the Mexican consumer and, along the way, domestic industry.

Problems such as this, which have a profound impact on general economic interests, must be evaluated above and beyond their effects on any single group, because to do otherwise would mean unnecessarily prolonging the misunderstandings that have been so frequent among us. As we know, membership in GATT does, in fact, have its advantages and disadvantages, in other words, the costs and benefits that Rubio del Cuello has referred to. We must determine precisely which are greater and then make a decision.

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MEXICO

## FRANCE TO HELP WITH NEW URANIUM PLANT

Mexico City EL SOL DE MEXICO in Spanish 15 Feb 80 pp 1-P, 6-P

[Report from EL HERALDO DE CHIHUAHUA]

[Text] Chihuahua, Chih., (OEM)—In accordance with the agreement signed by Mexico and France for a joint investment project designed to develop plans for nuclear energy in this country, during the current year construction will begin on the uranium-processing plant in the Villa Aldama area, where there are 150,000 tons of potential uranium reserves.

The Nuclear Energy Institute made this public in this city and added that the project, proposed since 1974, will have an initial grinding capacity of 1,000 tons of ore a day, but it is estimated that this major program will develop at a much greater rate.

The institute stated that technical studies are already being made in the Villa Aldama area for the purpose of precisely determining what kind of plant will be needed to proceed with immediate construction at a later date.

The initial figure that has been set for this joint Mexican-French investment is \$50 million, although this has not yet been confirmed. However, bore-sample soil-analysis projects are still being developed at the El Nogal and Margaritas plants which are located in the Peña Blanca Range.

Furthermore, according to the Nuclear Energy Institute report, the geological studies have been extended to the Moctezuma plant area as well as to the Hidalgo del Parral region, where radioactive material has been located, using a plane equipped with radiation monitoring devices.

Since 1974, when the big project for the development of nuclear energy at this site was proposed, the necessary arrangements between the appropriate authorities, both in Mexico and France, have been made; the only thing lacking is for both nations to ratify the program in order to proceed to the immediate construction of the uranium-processing plant.

As we were informed, this will benefit Mexico because it will permit us to exploit our resources right here, so that we will not have to go on shipping them abroad as we have been doing for lack of sufficient technological means to set up a processing plant.

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MEXICO

DE OTEYZA SPEAKS ON OIL, GATT, OTHER SUBJECTS

Mexico City EL DIA in Spanish 14 Feb 80 p 7

[Article by Sara Lovera and Etra Oralia Herrera: "De Oteyza: No Increase in Oil Production Volume Planned; On Joining GATT, Secretary of Patrimony and Industrial Development Said That National Interest Is Primary Concern"]

[Text] Tackling a number of burning, current issues, like oil, GATT, mining and the development of nuclear energy, in the presence of a group of reporters, Secretary of Patrimony and Industrial Development Jose Andres de Oteyza said yesterday that our primary concern in the handling of all of the country's economic problems is the national interest.

Oteyza also said that the problem of inflation, which is damaging major segments of the country's population, has forced the government to place controls on the prices of basic and general consumer articles, with the result that capital is being invested in those branches assuring high profits, thus giving rise to a serious decline in the supply of such products, which is why the range of alternatives has been reduced.

He also explained how the Economic Cabinet operates and, at the insistence of the reporters, he again and again noted that, as far as the volume of oil production is concerned, "up to now," "until today," that organization has made no change in the program, which provides that we will produce no more than from 2.25 million to 2.5 million barrels of crude a day.

Volume

The first issue he commented on was oil. Oteyza was cutting in his comment. He said that there has to date been no decision to raise the volume of production. However, no one can guarantee what may happen in the future.

He said that the volume that has been set corresponds to a program which has been outlined and which falls within the framework of the line of development proposed by the administration, and no outside pressures have been observed, nor has there been any argument as to the existence of the program in the Economic Cabinet.

In response to the question as to whether this is being discussed among the secretaries of the Economic Cabinet, he said that they were certainly discussing the problems of inflation, growth and employment.

#### GATT

On this issue, he firmly stated that a definitive decision has not yet been made and that the advisability or inadvisability of joining GATT was still being looked into.

He pointed out, however, that in theory the provisions of the General Tariffs, Customs Duties and Trade Agreement would not affect the progress of the National Industrial Development Plan implemented by the Secretariat of Patrimony and Industrial Development (SEPAFIN).

He immediately commented that in practice all we know about GATT is that it is a "big power club" whose members could possibly force us to respect their rules once we are in the club. As can be shown, these countries have raised their protective barriers, preventing or restricting the admission of other countries' products.

Furthermore, Mexico is not prepared for the export trade. Its industrial plant is still too poor for that. However, the national plans provide for gradually getting away from protecting manufacturers and the PMDI [expansion unknown] itself tends to support foreign trade. Perhaps this could be achieved over a still rather lengthy period of time and it would only be 12 years from the time we join GATT to complete elimination of protective barriers, which could involve a few deviations.

In reply to a specific question as to pressures from the United States, Japan and the EEC, he noted that Mexico allows neither pressures nor [foreign] opinions and that the consultation regarding an investigation of GATT is a strictly national affair.

#### Uranium

As far as the national nuclear program is concerned, he pointed out that proven reserves of 10,000 tons have been mined and that these are sufficient for the useful life of the Laguna Verde plants which will be closed down in 1980 in accordance with the programs.

The more extensive plans depend on the results of prospecting to determine our actual uranium reserves and he said that the problem of in future using enriched or natural uranium should not be viewed as an ideological one, rather a strictly scientific one, which is why Mexico has made arrangements to study both systems: the first with France and the second with Canada, and also both with Sweden where it is assumed no political factor will be involved.

## Mining

As for the development of mining, he said that Mexico has large reserves, which is why SEMAFIN has implemented aid programs for small and medium-sized mining operations.

He assured us that there are no plans for nationalizing this activity and said that the special tax imposed on the mining of gold and on plant and equipment was due to the rise in world prices and that the taxes imposed on these producers will specifically serve to promote small mining operations.

## Basics

He said that there are two alternatives for guaranteeing a supply of basic products: Either transparent subsidies are granted or the state produces these goods, since the attempt at getting private investment alone to increase the supply has been unsuccessful; on the contrary, with each attempt the supply is even further reduced.

Oteyza assured us that the authorities are really interested in guaranteeing domestic supply and avoiding future shortages.

## Undesirable Tendency Toward Concentration

On the other hand, Jose Andres Oteyza yesterday brought to a close the sessions of the First National Convention on the Subcontracting of Industrial Processes and stressed the fact that 1979 was perhaps one of the Mexican economy's best years in terms of industrial development inasmuch as a rate of growth of 10 percent was achieved. However, he noted that what is important now is for us to be capable of maintaining this high growth rate to which we are not accustomed, no more than we are to living with inflation of the magnitude we are now experiencing.

Addressing himself to the small businessmen, the official said that rising costs, inflation and accelerated growth naturally lead to a tendency toward concentration which is undesirable for the country's economy and that, while the big industries can and should play a leading role in the introduction of modern technological processes, in some way carrying the economy, it is the small and medium-sized industries that ought to give it the support, the general basis for seeing to it that this whole process is a well-balanced and healthy one.

Consequently, he stressed the importance of subcontracting for the country as a whole because it would provide a better balance between small and big businesses: for the former, from the point of view of market stability, of technology, of financing terms and, for the big industries, in terms of savings in investments, of absorbing variable expenses, of better supply and diversification of investments and their components.

Attorney Oteyza insisted that inflation must be combatted through productivity, by increasing supply, by having a greater number of medium-sized and small businesses that grow and develop in balance with the big ones, carefully taking into account the fact that we are going through a period of truly unusual industrial growth in this country, growth that must be consolidated and preserved.

With regard to the subcontracting market, the SEPAFIN secretary reported that they have begun to design new procedures, because the high growth rate and inflation are now too, at least for Mexico, so that this system will operate in an efficient and organized manner, locally and regionally as well as in terms of branches of activity. However, he insisted that only the federal government could make general proposals and outline economic policy and that it is up to the manufacturers to organize its implementation.

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MEXICO

ONE MILLION TONS OF STEEL IMPORTS PROJECTED FOR 1980

Mexico City EL SOL DE MEXICO in Spanish 19 Feb 80 pp 1-F, 6-F

[Report from TRIBUNA DE MONTERREY]

[Text] Monterrey, N.L., (OEM)—Despite the high levels of production and productivity its national steel industry is recording, Mexico will find itself forced to import 1 million tons of steel during the current year to meet the domestic demand triggered by the explosive expansion of private industry, the vast semiofficial construction programs and federal, state and municipal public works projects.

This is what engineer Jose Martinez Guiton, an advisor from the Mexican Confederation of Industrial Chambers (CONCAMIN), maintained on his arrival in this city to make a tour of Blast Furnaces of Mexico installations in Monclova, Coahuila.

He added that in recent years Mexico had attained high levels of productivity in the steel industry, even higher than those of several highly industrialized countries.

However, he reiterated that, despite all this, domestic demand due to growing expansion this year could not as yet be satisfied.

Furthermore, the CONCAMIN advisor said that in 1979 Mexican steel imports amounted to over 600,000 tons, which means twice the amount imported in 1978 or 300,000 tons.

And last year, he added, private and public construction programs, as well as semiofficial expansion, were well under the levels attained this year, which is why it will be necessary to import at least 1 million tons of steel to meet our needs.

The industrial expert from Jalisco explained that, while we have sufficient raw material reserves to manufacture steel, the existing Mexican steel mills, both integrated and nonintegrated, lack sufficient capacity to produce the steel the development of the country requires.

Moreover, he noted that the Lazaro Cardenas Steelworks in Las Truchas would manifestly increase its production this year and would be able to deliver to the interior of the country, to the cities of Mexico City, Monterrey, Guadalajara and Queretaro, a load of 600 tons of soft steel to supply the metal and mechanical and construction industries which are growing at a rate above the production capacity of the steel mills.

Furthermore, the increase in steel production at Las Truchas will be achieved in a relatively short period of time and, in preparation for the new phase of expansion, the general management of the National Railways is building a new rail line from Ajuno, near Patzcuaro, Michoacan, to the town of Uruapan.

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CSO: 3010

SOCIAL, ECONOMIC PROBLEMS BLAMED ON WEAK OIL POLICY

Government Policies Analyzed

Caracas RESUMEN in Spanish 2 Mar 80 pp 19-20, 22, 23, 25, 28

[Article by former deputy finance minister Ivan Pulido Mora: "The Taste of Truth, Mr President"]

[Text] The basic objective of the new government economic policy is not being attained: A decrease in the dependence on petroleum, not depending on "any future increase in the prices of petroleum" to compensate for the imbalances recorded in recent years in the balance of payments and in the fiscal sector.

Production is forced so as to increase exports of crudes and products, which at higher prices on international markets are converted into bolivars.

An additional 18,768,000,000 bolivars are available for paying for all types of expenses and incidentals. Without effort by any Venezuelan, undesired results are obtained by the economic policy put into effect, but they are secretly used to show apparently encouraging facts about 1979.

In 1979, petroleum production will represent 98 percent of industrial potential. It is unlikely that the 2,356,362 barrels daily will ever be reached again even if the guidelines of the policy established by the Ministry of Energy and Mines for Venezuelan Petroleum, Inc. (PDVSA) are violated with respect to the limits of qualities and gravities.

"More gas was used this year, but more gas was lost also."

Increases in petroleum prices in 1979 are agreed upon previously at the OPEC Conference in December of the previous year. Their headlong rise is due to events in Iran.

in petroleum, as in any business, the important thing is the "net sale price" and not the "announced" price as an expression of the desire to obtain it. Their difference is in keeping with the "discounts," today euphemistically called "adjustments." The barrel price of \$28 refers to a crude with an average API gravity of 34.1, known as the "tenderloin," which is fine oil and scarce. It is not representative of Venezuelan oil production, whose oil has an average API gravity of 25.

The theoretical life of proved reserves declines from 23.3 years in 1978 to 21.5 years in 1979.

Per barrel operating costs and expenses are increasing. Subsidies for domestic consumption increase at the expense of the share of the treasury; only 58.1 percent of revenue obtained, while before nationalization the concessionaire industry turned over up to 85.31 percent of it in 1974.

Dependence on petroleum by the budget increased in 1979 (67 percent). The "record" rate of annual increase in current expenses was registered (23.4 percent), placing it at 61.2 percent of the authorized total, while capital expenditures fell to only 23.5 percent (11,962,000,000 bolivars).

There is the absence of even minimal healthful caution in the 1979 fiscal year. It ends with a deficit despite the 10,862,000,000 bolivars of additional petroleum revenues (48.4 percent more than budgeted) and there are no transfers to the Venezuelan Investment Fund of the legal contribution of 3,725,000,000 bolivars. Expenditures are authorized which exceed available Treasury revenues by 4,563,000,000 bolivars.

A new, unpondered and contradictory program of state indebtedness is submitted for congressional consideration. The haste with which this is done even leads to making errors in addition: around 23 percent, (15,209,000,000 bolivars) over the originally specified amount, for a real total of resources required of 82,125,000,000 bolivars for only five of the new projects announced.

Twelve times more highschool students graduate from the secondary education institutes with an average grade point score of 12 than with 15 or more points.

Everything is being done except slowing down the accelerated liquidation of petroleum, national capital which is being wasted now for the impoverishment of future generations.

Intentions are heading in one direction, actions in another. There are serious contradictions in the execution of anti-inflation measures.

The heralded restriction, moderation and prudence in state spending, expressed in various documents and statements, have been abandoned and there are more requests for authorizations for spending and the announcement of an extraordinary budget for spending the additional resources resulting from increased oil prices.

Reality gives the lie to the statements by the team responsible for the progress of the national economy. The cost of living increased more after the promise was made that "favorable results will be noted during the course of 1980." It is calculated that the cost of living will increase more than 25 percent per year.

The gap between the rich and the poor continues to grow! Because of inflation the income of the poorer groups is eroded, while the profits of the higher-income groups increase. Income of the higher-income group is 59 times greater than that of the lower income group.

"The dangers of deceiving the public are inversely proportional to the magnitude and practical importance of the deceit. Outright and fanciful lies are easily discovered by everyone, who do not need to be specialists in finances or petroleum because common sense causes one to note the contradictions, while experience itself and other informative sources about events, which no one can hide, confirm the real situation." (Juan Pablo Perez Alfonzo, 7-10-1978).

In his New Year's speech, the citizen president of the republic referred to a statement he made on a previous occasion in the following terms: "From the first moment in office I said to the president of the BCV [Central Bank of Venezuela] that I preferred true figures and statistics, no matter how much they could at any time affect my government, rather than figures juggled to hide the truth because of self-interest. I accept the taste of truth." Three days before, the ministers of the economy made public their own statement of results of the economic process of Venezuela for the year ending; there was also the traditional End of Year Statement by the president of the Investment Fund and results were released on petroleum activities for 1979. Several weeks of the new year having passed and some final figures of the previous economic fiscal year having become known, it is now possible to evaluate the facts, which at that time were presented as the encouraging results of a management marked by an absence of specific and consistent policies and contradictions in its execution, and, therefore, far from being a reality.

#### Unrealistic Government Objectives do Not Decrease Petroleum Dependency

More than "My Pledge to Venezuela," a government program submitted to the country during the long months of the electoral campaign, the ideas of presumed policies formulated by the new government team should help President Herrera, the government party and Venezuelans in general to

evaluate the results obtained and the degree of compliance with them. There is, for example, what the members of the Economic Office themselves called the "Economic Stabilization Plan," which was prepared when the government had just taken office. On page three, among other basic objectives of the new economic policy, is included the following: "2.2. Eliminate the deficit in current accounts (of the balance of payments) in the 1979-81 period regardless of any future increases in the prices of petroleum." An incommensurable Venezuelan desideratum to depend less on petroleum! It is only conceivable by men filled with great illusion. Would it be possible to attain such a noble and healthful objective? The course of events will tell.

This is precisely the first consideration of importance which should lead us to think. The Venezuelan economy during 1979 became more dependent on petroleum, with the undesirable sequela of its larger relative share in the Gross National Product (23.5 percent), the generation of foreign credits (96 percent) and the financing of the state budget (67 percent). This is all the result of a "minor" detail not mentioned openly and much less explained to public opinion: the fact that in that year, by comparison with 1978, 190,832 more barrels of oil per day (8.8) were produced and 90,000 more barrels per day of crudes and products (4.6 percent) were exported.

All petroleum exports were sold at a price above \$5.31 (22.73 bolivars) per barrel. In other words, easy exploitation of our underground wealth without any effort, wealth which belongs equally to the present as well as to the future generations and translates into greater resources than those available in the previous year by the sum of 18,768,000,000 bolivars (\$4,385,000,000). Revenues in foreign exchange, those of the petroleum industry, and indirectly, those of the Venezuelan state, are increased by that same amount. Thus, the balance of payments, without the effort by any Venezuelan, is corrected; from a deficit of \$1,530,000,000 registered in 1978, it goes on to register a surplus of \$1,186,000,000 in 1979.

On the other hand, if the two effects described had not taken place (increase in the volume and prices of petroleum), there would have been a deficit of more than \$1,669,000,000 (7,143,000,000 bolivars) compared with that of 1978. International reserves would have declined by \$3,199,000,000 (13,692,000,000 bolivars), which corresponds to the estimates made during the early months of 1979 before the events of Iran. Not comprehensible, therefore, is what President Herrera said in his statement spreading encouragement and optimism in San Cristobal last 20 January, when he said: "I am not in agreement with the spokesmen of pessimism and sadness and with those who never want to see anything but difficulties and obstacles for my government." He then said: "Thus we have been able to carry out an activity of benefit to the country nationally and internationally. In only 9 months of government, to cite only one example, we established an equilibrium in

the balance of payments, which is something undeniably difficult when it shows a deficit." We already saw how easy it is to achieve this and without any effort, just as higher petroleum prices have required no effort, contrary to what President Herrera said subsequently: "We also managed to double the price of our oil, which had practically stagnated since 1974 (EL NACIONAL 21-1-80, D-1)." While the average sale price of our oil rose to \$17.55 per barrel in 1979, 43.4 percent more than in 1978, it does not mean a doubling of price, as was declared at that time, because a methodological error is made by comparing prices of different things. The \$26 per barrel price reached at the end of 1979 is for light Arab benchmark oil, while the \$12.24 average price was for the packet exported the previous year, in which were included all types of crudes and products, those of high as well as low prices, as well as that which is now being used to establish the comparison, with desired results established beforehand. However, the real increase, which does not even reach half (only 43.4 percent), instead of what the president said, is due to alien circumstances described by President Herrera himself in the days following his election to the presidency of the country. Actually, the member countries of OPEC agreed before the OPEC Conference held in Geneva in 1978 on the gradual increases to become effective each quarter of 1979. These would raise light Arab benchmark crude of API gravity of 34 to \$24 per barrel in the last quarter of that year. That was when President-elect Luis Herrera declared with special joy: "Venezuela's guardian angel speaks Arabic." The events of Iran caused the increases approved to be effective as of 1 October of that year, to be advanced to May 1979. Therefore, the statement that "In only 9 months of government...we also managed to double the price of our petroleum," is also surprising.

#### Once More the Stream of Oil Blinds Us and Prevents the Realization of Sane Fiscal Management

While the foregoing considerations are of fundamental importance in defining the scope of the economic truth of the country, they should not be the reason for putting to one side the consequences of what we have come to call "the frenzied eating of an unexpected petroleum harvest," without even the healthful prudence demanded by a body suffering "economic indigestion" because of that very same abundance of the easily obtained petroleum revenue of the 1974 boom and subsequent years. We refer specifically to the 1979 Fiscal Year. The lack of even a minimal healthful caution is evidenced when at the end of the fiscal year, despite that additional petroleum revenue, there was registered an amount of authorized expenditures which exceeded collected revenues by 838 million bolivars (deficit), which increased to 4,563,000,000 bolivars when one takes into consideration the statement by the president of the Venezuelan Investment fund [FIV]. He said: "The FIV has not yet received its share of 3,725,000,000 bolivars to which it is entitled, pursuant to Article 3 of the statute which created it." (EL NACIONAL

[p-13-19, page D-6]. Thus the validity of the statement made by the minister of finance is discarded, statement made at the last press conference of the Economic Office in 1979 that "the fiscal year, compared with the initial estimate of the Budget Law, indicates that there is more of a budget surplus than was foreseen for it." (EL NACIONAL, 29-12-79, page D-6). It could not be that way because the final fiscal figures for 1979 indicate that expenditures of 50,958,000,000 bolivars were authorized and revenues of 50,120,000,000 bolivars were collected. Among total revenues are included 10,862,000,000 bolivars of additional petroleum fiscal revenues (48.4 percent more than budgeted). Not included are 1,134,000,000 bolivars of extraordinary revenues directly deposited in the accounts of autonomous institutes and state companies (CADAPE [Electrical Administration and Development Corporation], INTERALUMINA [expansion unknown], Railways, VENALUM [Aluminum Company of Venezuela], Metro of Caracas, and the National Port Institute), and the beneficiaries of a foreign state loan received on the last day of the year in the amount of \$823 million to save appearances after the dubious presidential statement on 29-9-79, when, speaking to the country on "The truth that Venezuela wants and should know," he refers to the conditions of how the state debt of the nation was contracted.

Therefore, the authorized expenditures are underestimated by that directly transferred amount. Under normal operations, it would have come into the National Treasury and the respective disbursements would have made the authorized expenditures rise to 54,492,000,000 bolivars, 6.4 percent more than for 1978. The original objective in fiscal matters of halting the increase in state spending was not achieved. In real terms, that expenditure is 48,524,000,000 bolivars, only 5 percent less than in 1978. It must be the justification the Secretary General of the government party received from the ministers of the economy and "the opinion of (his) own advisory teams," which led him to make such statements. It is true that in real prices 1979 expenditures were less than in the 7 previous years (EL NACIONAL, 7-2-80, page D-1). This is how simple the explanation is. Also simple is the fact that expenditures in real terms would have been greater if inflation generated by that policy of spending without austerity had been less. The inflation caused by excessive state spending erodes or "eats" the purchasing power of the bolivar.

#### Accelerated Waste of a Nonrenewable Resource in Achieving Poor Results

We must point out that of this total of authorized expenditures of 50,958,000,000 bolivars, those of a current nature reached the "record" rate of increase of recent years, since 1974 of 23.4 percent annually. This is not in keeping with the policy of austerity repeated daily by the most qualified government representatives. When current expenditures in 1979 increased by 5,879,000,000 bolivars with respect to the final total for the previous year, it proves the weakness and generosity of a government in administrating its resources against the demands for wage increases by the various public servants and the requests for the creation

of more and more new state jobs. In view of the final level of current expenditures of 31,166,000,000 bolivars in 1979, the 32,167,000,000 bolivars authorized in the 1980 Budget Law are completely insincere and once more explain the reason why we have been insisting that additional loans must be negotiated for attending to current expenditures, which are undesired from any point of view. We are sure that if President Herrera had been informed of this situation he would have acted in his characteristic style, asking why "the Congress did not take a club" to the budget for current expenditures prepared by his team of close advisers. It should be a reason for concern to him when he is informed that the increase indicated in current expenses in 1979 "eats more than half (54 percent) of the additional unexpected fiscal petroleum revenues for that year. And in 1980 it "eats" 75.3 percent of additional petroleum revenue estimated in the present Budget Law.

However, more serious still is the fact that to show apparent reductions in the total of authorized expenditures by comparison with 1978--reductions nonexistent in practice as we said previously--in the last weeks of the year a mechanism of declaring the inexistence of amounts of capital expenditures was employed, thus worsening the percentage ratio of that category of expenditures with respect to the total. The 11,962,000,000 bolivars of 1979 barely represent 23.5 percent of the total authorized expenditures, the lowest point of the decade and of a number of years which showed a declining tendency since 1974, at which time 23,835,000,000 (56.1 percent) was spent of the 42,519,000,000 authorized that year. And to complete this sad picture, an obvious example of the traditional lack of fiscal discipline in the country, 16.2 percent of the remaining expenditures, one-sixth (16.5 percent) of the ordinary revenues for the year, is already destined for servicing the state debt. Thus, in addition to having a fiscal deficit, not recommended as an anti-inflation measure (another of so many contradictions), the highest percentage (61.2 percent) since 1970 is devoted to current expenditures, which are precisely the ones which bring the highest inflationary burden because they result immediately in a greater demand and greater pressure on prices. We refer at this time to the new intended state indebtedness, which last December we described as unthinking and contradictory in view of the new additional petroleum revenues already visualized at that time. Public opinion views the subject of state loans as an obvious demonstration of inconsistency with the statements by the government in the early months of its administration, when it made its well-founded criticism about the degree of indebtedness in which the republic found itself, and also because more recently--last week--the Economic Office, considered the complete reformulation of the housing policy and program, the main project (21,641,000,000 bolivars) of the five submitted hastily to the consideration of Congress last 29 November. For the information of the government party and those of the opposition, such projects are already being studied by the Chamber of Deputies and they should not expect them to be approved, as has been inferred from some of the statements

made by representatives of both parties. This has led the Central Bank of Venezuela, after analyzing them, to have serious reservations about these projects and it has said that they should be reformulated since because of a "small error in addition" (2 percent) it has been noted that the projects total \$2,125,000,000 bolívares instead of the \$2,100,000,000 bolívares indicated in the request from the National Economic Council to Congress.

#### Technical Elimination forced and there is a greater loss of oil

The deplorable results of the economic-financial management of the government sector and the economy in general becomes less tolerable when one analyzes the petroleum conditions under which such management occurs and the sectoral results it obtains.

In recent years, international petroleum prices have multiplied several times and only the physical limitations of the petroleum industry in maintaining the production levels of that time have prevented revenues from being multiplied at the same rate as prices. It has not been conservationist reasons applied to a nonrenewable resource, which have determined the decline in petroleum production levels, but rather what is known by the name of "production potential." It declines because of an eight-percent loss of natural pressure in the field, to which is added, in the case of Venezuela, a 12 percent loss for causes attributable to maintenance of the fields and production installations, for a yearly total loss of 20 percent. If it had been possible, available petroleum revenues would have attained unmeasurable magnitudes, with a more copious waste and greater economic indigestion. The accelerated decline of production capability is due to the forced amounts of production in the past 16 years, as was clearly shown with arguments and figures by the recently-dead and distinguished Venezuelan Dr Juan Pablo Pérez Alfonzo in his last teacher's class in October 1978. In that respect, it should be pointed out that after 1973 (99.6 percent of potential), 1979 was the year of the greatest irresponsibility in the decade of the 70's, when production of 2,356,562 barrels daily was forced. This represents 98 percent of the estimated production capacity, which the minister of energy and mines himself "considers an exaggerated rate" (Weekly Letter No 4 from the Ministry of Mines and Energy). There is the hope that it can be decreased to 92 percent (a reduction of 150,000 barrels per day of the estimated potential by the end of 1979).

However, reality seems to indicate that they will not go beyond being good intentions because the content of each letter has been modified so as not to indicate that the production goal established for 1980 (2.2 million barrels daily) is not being attained nor will it be attained. The technically admissible comparison between production during what has elapsed of this year and that of the same period of the previous year has been abandoned and a simple comparison has been established with the

average of the past year. Figures will always show a decline because it is unlikely that the average of 1979 will ever be attained again because of the very consequences of having forced production. However, petroleum will be extracted above the goal and above the levels of qualities and gravities established as a policy guideline by the Ministry of Mines and Energy for Venezuelan Petroleum Inc. Such comparison, in addition to not being consistent because the effects of the implied characteristics of each month's production on the year's total, counts toward the amount accumulated until a certain period, does not allow the unformed observer to easily learn what is truly happening in matters of petroleum production. After all, on the last day of the year, what happened with respect to the average of the year before will be learned.

If advisable technical levels of production are established with respect to production potential (under good management, 85 percent of maximum capacity) it is because the traditional view in the industry is that of considering approaching that level to be as dangerous as a builder who places maximum stress on materials. There arises the need for conservation of the resource and the field to prevent negative consequences such as the wasting of natural gas, which is produced together with petroleum and is released into the atmosphere because it cannot be processed with existing gas compression installations. With the gradual decline in petroleum production since 1974, the almost total elimination of this waste was obtained, which on one hand means a significant saving of a resource of great energy value, and on the other, it means an important technical advantage because the surplus gas not used for domestic and industrial uses can be injected into the fields. Thus, from 14,619,000,000 cubic meters of gas wasted in 1973, it dropped to 9,862,000,000 in 1974 (a decrease in percentage of more than that recorded in crude production that year), and to 2,292,000,000 cubic meters in 1978. This means an average rate of decline per year of 31 percent for the 1974-1978 period.

Now, in 1979, figures indicate that the quantity of gas released into the atmosphere has increased by around 10 percent. Its percentage with respect to gross production of natural gas also is increasing (6.8 percent). Thirty-three years ago, in 1947, despite the fact that the use of gas with respect to the entire volume produced that year increased by 20 percent, an unfavorable change of only two tenths in waste led Minister Perez Alfonzo to exclaim: "More gas was produced this year but more gas was also lost."

#### Costs Per Barrel Increase at the Expense of the Treasury

Increases in costs and expenditures in the operation of the industry exceeds the increase in petroleum production in 1979 and thus the costs per barrel rise to 10.83 bolivars. Maintaining the average price of local sales at 22.04 bolivars per barrel (\$5.15 per barrel), the subsidy

to domestic consumption is increased and the nationalized petroleum industry ceases to receive the difference between the international prices for petroleum byproducts and their domestic price. All this prevents the treasury's share and national petroleum revenues per barrel from obtaining the same proportion of the amounts registered in the international prices of Venezuelan petroleum. Moreover, in real terms, in bolivars with 1979 purchasing power, there is only an increase of 28.4 percent (treasury share) and 34.7 percent (national petroleum revenues) compared to the stated increase of 43.4 percent in the average sale prices of crudes and their byproducts. However, the true financial situation of the petroleum industry should be measured by taking into account the losses it means for the treasury when Venezuelan Petroleum, Inc., delivers to it a smaller share of each dollar of its revenues than it did during the system of petroleum industry concessionaires. Before 1976, the treasury's share was in percentages of over 79 percent of the total revenues received. As of that year, its contributions to the government declined "under the pretext of the renovation and recovery of the industry. By 1979 it represented only 64.14 percent of total revenues. For that reason it is of little importance that in press statements it is emphasized that in 1979 national petroleum revenues reached a "new record" of 56.30 bolivars per barrel when in real terms it is equal to that of 1974 (30.58 bolivars) and the 1979 treasury share is only 80 percent of that of 1974, it being the same as that of the first year of the nationalization of the industry (24.21 bolivars per barrel), which represented 74.83 percent of the total revenues for that year. But there is more, that treasury share, which declined to 64.14 percent of total revenues in 1979, is still less if one takes into account that the Venezuelan State has invested an increasing amount of capital in that industry which is returning nothing in the form of dividends. If a reasonable return of 12 percent is considered for that estimated capital of 30 billion bolivars in 1979, it becomes obvious that the amount received for liquidated petroleum assets is reduced even more. Thus the treasury's share per barrel decreases by 4.05 bolivars to 38.90 bolivars per barrel, which only represents 58.1 percent of the total revenues received, far from the 78.64 percent it represented in 1975 and the 85.31 percent in 1974.

The increase in proved reserves to 18,555,000,000 barrels in 1979, at a rate of 1.5 percent over the remaining reserves (18,272,000,000 barrels) in 1978, is lower than the increase in petroleum production (8.8 percent), which makes their theoretical lifetime decrease from 23.3 years in 1978 to 21.5 years in 1979.

**Total Revenues, Treasury Share and  
National Petroleum Revenues  
(millions of dollars)**

	1974	1975	1976	1977	1978	1979
Overall Revenue (IG)	11,086	9,040	9,245	9,749	9,352	13,896
Revenue \$ 1973	9,500	6,869	6,622	6,504	5,927	8,018
Treasury Share (PF)	9,457	7,109	6,917	6,306	5,887	8,912
Treasury Share \$ 1973	8,104	5,402	4,955	4,207	3,668	5,143
National Petroleum Revenue (IPN)	9,501	7,129	7,804	8,130	7,340	11,649
National Petroleum Revenue \$ 1973	8,142	5,417	5,590	5,424	4,573	6,721
Ratio PF/IG \$ 1973 %	85.31	78.64	74.83	64.68	62.95	64.14
Ratio IPN/IG \$ 1973 %	85.70	78.86	84.42	83.39	78.48	83.82
Revenue per Barrel \$ 1973	8.50	7.77	7.63	7.70	7.17	9.03
Treasury Share per Barrel \$ 1973	7.25	6.11	5.71	4.98	4.51	5.79
National Petroleum Revenue per Barrel \$ 1973	7.28	6.13	6.44	6.42	5.62	7.57

**Accelerated Waste of a Nonrenewable Resource in Achieving Poor Results**

The aggravated petroleum picture of Venezuela in which production of petroleum is forced and is brought dangerously near "maximum peak capacity;" in which astronomic investments are made for the renovation and recovery of the industry; in which there is an increase in its expenses and costs of operation; in which subsidies for domestic consumption and liquid assets of the PDVSA are increased and in which large sums of money are transferred to finance the state budget (29.1 percent more in 1979 than in 1978), would not be complete if the results of the application of these petroleum fiscal resources in the various sectors of the life of the country are not considered. The shortcomings and the low buying power of the bolivar spent by the state sector are so well-known that there is the danger that what is said today is nothing but a repetition of what was said so many times for years.

But we do not want to let something inherent to the education sector, which the newspapers emphasized just a few days ago, to go unnoticed. There is a national consensus to consider this a priority sector in the tasks of development because of its contribution to the training and qualification of the human resource. This sector has been recently evaluated in fair terms and for once and for all when the distribution

of the average grades was made known for the 99,192 highschool graduates preregistered for entrance into the universities and higher education institutes of the country. It has just been learned that 6.2 percent of those candidates had grades of 10 points; 43.7 percent had 11 points; 25.5 percent, 12 points; only 1.8 percent had 16 to 17 points; 2.8 per thousand had 18 points and 3.2 per 10,000 had grades of 19 to 20 points. This means that the figures reveal a tragic reality: three-fourths (75.4 percent) of those graduated in the last classes from the institutes of secondary education have done so with average grades of less than 12 points and only 6.6 percent (6,356 students) had grades of 15 and more points. They are the ones who will swell the ranks of university students, and with the school performance which characterizes this level of studies, only 10 out of each 100 of them will manage to obtain a degree. It could be said, therefore, in general terms, that university graduates are the 10 percent of those who have the highest grades in high school. In view of this evaluation, teaching authorities, teachers, professors and students, are suspect to a great degree within an educational system, which because of its dizzying growth in recent years, in only the state sector and not including the private educational institutes, now absorbs more than one-fourth of petroleum fiscal revenues.

With respect to other priority development areas within the framework of human resources, we ask ourselves: Are the results in health and social security less traumatizing? It is well known that demands for health care are not fully attended to due to the shortcomings in the structures of the health sector, despite the fact that the state resources allocated to that purpose can be described as sufficient.

The country has a reasonable number of beds per 1,000 inhabitants (3.2) but shortcomings in performing the functions of primary attention (external examinations and preventive medicine) in the rural health facilities, whose officials as a rule are absent, and in the dispensaries, almost always under the supervision of nurses aides, and in the ambulatory installations, which sometimes cannot make complete diagnoses, cause the second level (state hospitals and health centers) to function inadequately. Health centers rarely function fully with four basic services (obstetrics, pediatry, medicine and surgery) because they do not have the human resources or the necessary equipment. All this causes a chain reaction which affects the tertiary level (regional and university hospitals), making them function in the midst of over-crowding, with an excessive demand, and a use of beds which could be more rational.

These statements on the poor results obtained through the unrestrained use of the petroleum resources are closely linked with the recent statement by Dr Hernan Quijada: "The burden of almost one-fourth of the population with ailments which prevent them from making a suitable contribution, curbs any productive process even when the biggest budget is available." (EL NACIONAL, 12-2-80, page A-4).

#### The Cost of Living is Asphyxiating

Unfortunately for a good number of Venezuelans, the previously described economic facts do not emphasize the significance of the case, despite their being the reasons for concern today to the point of obsession: the rise in the cost of living (inflation). It could be said that it is a mandatory subject of conversation in the various groups of the population of the country, who with great anguish try to find an explanation as to what is asphyxiating them. For them one thing is certain: their income buys less every day and they do not link it to the situations which give rise to the problem, among which are the balance of payments, greater state spending, money supply, overall supply and demand and prices. The question on the streets is: If the price of petroleum keeps going up and up, why is this not reflected in the collective welfare? A great harm has been done to the population by making them believe that Venezuelan oil is now selling for \$28 per barrel, without explaining that the price refers to petroleum which is the equivalent of light Arab benchmark oil (34 API). It corresponds to a light crude, which the experts call "Lago Medio" and in the industry is known as the "tender-loin" of world crudes; it is fine and there is little of it. It is made up of the Lago," "Lamar" and "Lama" crudes with an average rating of 33.1 API, therefore, they are not representative of Venezuelan crudes since its production is of an average gravity of API 25. Moreover, the important thing that counts is not the announced price, which has been revealed to public opinion, but the price actually obtained by means of supply contracts which include the "discounts," today euphemistically called "adjustments." The same situation as existed in 1977 when deficits were called "gaps."

Nineteen seventy-nine was too short for all the announcements of the various anti-inflation theories the government would follow to halt the rise in prices. The most recent theory in that respect is contained in the justification for the 1980 Budget Plan. It is indicated as the appropriate measure "to keep prices from rising as a result of our relative price policy...restriction on public spending and on liquidity...because they decrease pressure on overall domestic demand and, therefore, on the general rise in prices." For this purpose it is reiterated that "the government needs to discipline its spending in the preparation of the budget as well as in its execution." In keeping with this, it is also said that in 1980 this trend (acceptable economic growth) would be due in good part to the state spending policy to be implemented this year and which is "characterized by its moderation and balance" (page

(I-15). On analyzing the fiscal results of 1979, we already noted what is being done contrary to that in public spending and we recall the recent statements by Ministry of Finance authorities and by the secretary general of the government party: "Public spending continues to be very great...This causes us concern. That is why we believe it suitable to call for reflexion on the purpose for which the additional fiscal resources that are going to be obtained as a result of the rise in the price of petroleum are going to be used." (EL NACIONAL, 7-2-80, page D-1). This could be interpreted as being the same thing as an invitation to increase public spending even more.

Also incorporated into the collection of statements issued "with enthusiasm"--as the newspaper that carried them describes them--are those made very recently by the minister of foreign affairs: "This is not a matter of a wish but a reality. The foundations for economic recovery, as stipulated by the official sector, are based primarily on the fact that we are going to receive resources deriving from our petroleum exports which are much higher than those estimated in the budget. This will allow the application of those resources to important programs and to attend to priorities the government has established." At that time he made a New Year's resolution that "we shall exchange the tendency of 'the greater the revenue, the greater the waste,' something accepted in the country as something traditional, for the opposite tendency: 'the greater the revenue, the greater the austerity.'" (EL NACIONAL 28-1-80, page D-1). As another demonstration that actions do not follow theoretical statements and government promises, we must point to the extraordinary meeting of the Council of Ministers last Sunday, 10 February, to hastily approve the package of an additional one billion bolivars for the agricultural sector. This is not a matter of new programs but rather those already existing. The agricultural sector already has allocations in the Budget Law put into effect a scant 55 days ago. Therefore, there is no urgency, and such haste is not in keeping with the "moderation and balance" preached a short time ago, nor with the "great discipline in public spending," nor much less do they "make up part of an integral package," as was requested in the recent statements by the secretary general of the government party. Thus, the tragic situation described in dramatic terms in the justification for the 1980 Budget Plan as to what happened in the previous 5-year period is being maintained: "The substantial and unprecedented increase in the ordinary revenues of the state...has been absorbed...by an uncontrolled increase in the current expenditures of the central and decentralized administration." (page III-A-10).

Because it has suffered this, public opinion shares the opinion of the Economic Office expressed at the end of 1979: "In matters of prices, it is necessary to recognize that there has been an increase in them exceeding the expectations which in that respect were taken into consideration at the time of designing and implementing the policy on prices," but it does not accept the other which states that "there has

been a rapid entry into a phase of correction of distortions in the price system and its favorable results will be noted during the course of 1980." In this respect, a member of that office, the minister of finance himself, publicly admitted that inflation in 1980 will exceed that recorded in the previous year because it was learned that studies by private offices estimate it will be over 25 percent. During January, the cost-of-living index usually drops, remains the same or increases slightly to rates of around .3 percent. Preliminary estimates for January 1980 indicate that it has risen quickly. This is a highly significant fact, which could be considered as the first indication of the effect of higher wages and salaries at the consumer level.

In their end of year statement, the ministers responsible for the progress of the economy of the country acknowledge "an increase of 17.4 percent for the October 1978-October 1979 period." However, their supposition that "a decline in the rate of increase is already noted...a tendency which is also hinted for December, to judge by the weekly indicators of prices on hand up to date," did not hold true, and 1979 ended with an increase of 20.5 percent in the cost of living, larger than that forecast by official authorities. Weighing heavily in this increase was the increase in food, beverages and tobacco (34.4 percent), items which affect low-income family budgets the most, as well as increases in clothing and footwear (40.2 percent).

#### An Economy for the Poor Rich

Thus we come to the marrow of the present economic policy determined by the effect of variations in the cost of living on the distribution of revenues. When the purchasing power of the lower income groups is affected the most, the regressive picture which has been shown by income distribution in Venezuela in recent years deteriorates even more. Research on the subject shows that between 1966 and 1975 income concentration in a small group of the population increased: while in 1966 the wealthiest five percent of the population had a share of the pie of 19.1 percent, in 1975 that share increased to 25.8 percent and at the other end, the poorest 20 percent of the population barely managed to scratch out a living with a share of only 4.4 percent in 1966 which fell to 3.6 percent in 1975, creating a greater gap between the groups at the two ends; from 31.3 to 58.7 times as great in 1975. The gap between the rich and the poor continues to grow more and more!

In 1980 the slight favorable changes in income distribution through the application of the General Law on Wage Increases, Salaries, Minimum Wage, Retirement, Old-Age Pensions, Handicapped and Death, recently placed in effect, were diluted within a few months because of the effects of the law itself, which increased the cost of living (14 percent). To this is added the natural rise in prices (8 percent) and the effect of speculation (how much percent!), a loss of 26.5 percent, which on

the average was the annual of the improvements for those who received incomes of less than 6,000 bolivars. Meanwhile, management and self-employed workers saw their income in benefits or profits increase as a result of the readjustment of prices at a rate higher than their costs of production. In this respect, it is important to consider that between 1976 and 1978, notwithstanding the rise in the cost of living index of 29.7 percent, the real average income of the self-employed workers increased by 13.8 percent and that of management by 11 percent. Therefore, it is foreseen that in the basic oil class income distribution in 1980 will remain in terms similar than those recorded in the previous year. It is not possible as of now to estimate the greater profits caused by inflation for the higher income groups, while because of the loss of purchasing power, the income of the poorer groups is eroded.

#### Faile's Illusion About the Petroleum Crop

The year 1979 is presented as the year in which there was a turn in the declining tendency to depend on petroleum in the country, a tendency observed since 1974 when petroleum income represented 85.7 percent of ordinary total income. It dropped to 64.3 percent in 1978 but that decrease has not yet reached the minimum figure of 54.3 percent recorded in 1963, when an attempt to diminish this dangerous dependency was really undertaken.

In recent years the evils and vices, which because of the easy wealth of petroleum affect the nation, multiplied because of irresponsibility in the utilization of the higher international prices for the unrenewable resource, while petroleum production began to decline in 1970. In 1980, it would appear there is no awareness of what the waste of this wealth has meant in the past, and the future of Venezuela is made to depend on the "future of additional petroleum resources." Thus, the intention is to increase that dependency even more from the 67 percent to which it rose in 1979.

Keeping in mind the foregoing on the greatest concentration in recent years of the distribution of income, resulting in great percentage from the exploitation of our underground wealth which belongs to all Venezuelans equally, the following thoughts of Dr Juan Pablo Pérez Alfonzo, contained in his last teaching class on October 1978 are repeated:

"The daring and real courage demanded from Venezuelan politicians and leaders is that of not allowing themselves to be swept along by the powerful forces of those interested in benefitting themselves quickly from the enormous perishable wealth of the nation. Those who are driven by those greedy forces and have tried to do violence to development, show their obvious inability to learn from our own experience."

"If we had not allowed ourselves to be driven by the petroleum craze, our situation would be much firmer and hopeful than it is today. We would have maintained a policy of decreasing our dependency on petroleum and we would not be in the distress of having to wait for the Tar Sands to give us new hope because we would have much more conventional petroleum available and much less urgency to sell it. Because of the way we have allowed things to happen, independence from petroleum will come to us by the force of circumstances and under very difficult conditions in overcoming the difficulties brought about by our negligence.

"Like the president of the republic, the political parties and other leadership groups have not learned how to recognize the abundant proof of economic indigestion suffered by Venezuela for many years before the 1974 boom. Our traditional tendency for games of chance and an unfounded trust in luck appear to keep a blindfold over the eyes of everyone, preventing them from seeing how the only sure way to go is dedication to the hard work of solidly improving the miserable social and economic lot of the Venezuelans. On the contrary, they are pleased to imagine that money can do everything and they constantly build castles on the quicksand of that fallacy, as always, counting their chickens before they are hatched. With our experience, which goes back to the selfish developmentalism of Guzman Blanco with its illusory railroads, which never operated economically because they were not planned with good sense and care to avoid falling into the clutches of foreign exploitation, with all that suffering that culminated with the 1902 blockade, it is inexplicable how after finally finding the 'El Dorado' of petroleum, we have learned nothing from the past. Perhaps even more inexplicable is the fact that not even the experience of the waste of our petroleum wealth prior to 1974 serves to prevent us from falling at the top of the new mountain of gold obtained under the aegis of OPEC.

"Undoubtedly the greatest responsibility falls upon the chief of state and his government. However, it cannot be denied either that it also belongs partly to the influential groups of the nation. There are few exceptions of those who shared my firm and reasoned conviction that state spending should only increase in an orderly and limited fashion. The idea carries with it the maintenance of an inflexible ceiling for petroleum revenues for the purpose of effecting a correction of the economic distortions of the country, an economy which is very vulnerable in every respect. Criticism by the opponents of the government was always directed exclusively at the poor management and ineffectiveness of that spending, presupposing that others could have done it better. They never went to the heart of the question: That no one would have been able to obtain favorable results from the unbridled growth of revenues not collected from normal economic activities of the nation. All of them still let themselves be swayed by the false illusion of the petroleum crop, without guarding against the irrational growth of public spending, which would have been similar to the one which has brought us to the present situation." (Magazine RESIDEN No 258, Vol XXI, 15-10-1978).

## Oil Analysis Criticized

Caracas RESUMEN in Spanish 9 Mar 80 pp 27-29

[Article by Gustavo Coronel, alternate member of the PETROVEN Board of Directors and, prior to nationalization, a Shell Oil Company Employee: "A Debatable Petroleum Analysis by Ivan Pulido Mora"]

[Text] Economist Ivan Pulido Mora published an extensive analysis in the magazine RESUMEN No 330 dated 2-3-80, on the Venezuelan economy titled "The Taste of Truth, Mr President" in which he harshly criticizes the economic administration of the present government and links all the social and economic problems of the country to an alleged negative or eroded situation in the petroleum sector. It is to that portion of the Pulido Mora analysis dealing with the petroleum sector that we would like to address ourselves since the other portion--that on the country in general--is outside our ken as petroleum workers.

Ivan Pulido Mora has inherited much of the genuine anguish concerning the proper destination of state money which characterize the life of Juan Pablo Perez Alfonzo. Unfortunately, however, he also appears to have inherited much of the visceral antipathy against petroleum and the petroleum sector, which marked the final years of the recently-deceased distinguished Venezuelan. The placing of blame for all the national ills on petroleum and not on the use made of petroleum money is usual among many of our public men, and although Pulido Mora correctly emphasizes the poor utilization of petroleum revenues, he cannot resist the temptation to suggest that the present petroleum industry is less efficient, less productive, more costly, and, in short, not as good as before.

The Pulido Mora petroleum analysis essentially contains some 13 points, some with some truth, some half-truths, and many completely untrue.

### Point One

"Venezuelan economy became more dependent on petroleum in 1979." Completely true, although Pulido Mora omits saying that the nonpetroleum Gross National Product is growing at a rate of six percent, which is very significant. It is undeniable that Venezuela today is a petroleum-producing country as never before.

#### Point Two

"Everything is the result of a "minor" detail not mentioned openly, much less explained, to public opinion," ...more production, more exports, better prices.

Completely untrue. The great production during 1979, the great exports resulting from that great production and the better prices prevailing during the year are of complete public knowledge. We doubt that there is any country in the world in which petroleum production, prices and amounts of exports, receive so much space in the news media as in Venezuela. We could say, rather, that the abundance of information at times leads to the indigestion of the people and even of analysts of the very high caliber of Pulido Mora.

#### Point Three

Discussion on prices attempted by Pulido Mora is very didactic and has some very valid points, although also very superficial. We believe that actually the dramatic improvement in petroleum prices is far from being attributable to the efforts of our local politicians or our government, although we must admit that Venezuela has made good use, sensible use, of the favorable conditions of the international market. The guardian angel of Venezuela truly speaks more Persian than Arabic.

What is undeniable and not mentioned by Pulido Mora is that the sale of Venezuelan petroleum in 1979 has been accomplished by making use of the favorable conditions of international markets to establish a long-range sales policy for our heavy high-sulfur content petroleum. We have not used the situation to go speculate in the spot market of Rotterdam. The goal of our petroleum policy is long-range reliability because that is the characteristic which in the long run will pay us the best dividends.

#### Point Four

"Nineteen seventy-nine is the year of greatest irresponsibility...when production is forced to 2,356,362 barrels per day."

Unfair and untrue. Production for 1979 has not been "irresponsible." It has been the result of a consensus among different entities in the petroleum sector. The minister of energy and mines has repeated on many occasions that the figure of 2.2 million barrels per day is not "taboo" and that it is in "response to no technical criterion." We would add that it must not be considered a quasi-religious doctrine, which is the character some analysts try to give it.

the production at 85, 90 or 95 percent of potential for preestablished periods is a political or economic decisions rather than a technical one, because production at 100 percent of potential, the latter defined as maximum production capacity after abiding by all technical regulations applicable for each well, cannot harm those wells. What is really irresponsible, however, is to say that the production of 2,356,362 barrels per day in 1979 was an irresponsible act, as Pulido Mora has said.

#### Point Five

"Petroleum will be extracted above the established goal...which as a policy guideline was established by the minister of energy and mines for Venezuelan Petroleum, Inc."

Completely untrue. This is a tiresome and unfair doctrine of sectors alien to the petroleum sector pursuant to which the petroleum industry violates the guidelines established by the Ministry of Energy and Mines with impunity. There is nothing the industry does that does not have to have the technical approval of the Ministry of Energy and Mines, the representative of the stockholder. We believe it is necessary to say that to suggest the contrary is even in bad taste and shows a lack of knowledge of the mechanisms used for making decisions prevailing in the petroleum sector. The country must know for once and for all that when production rises, it rises with the approval of the national executive branch and not behind its back.

#### Point Six

With respect to the increase in production, Pulido Mora adds: "The increase in the waste of natural gas, which is produced together with petroleum, and is released into the atmosphere because it cannot be processed by existing installations...Now, in 1979, figures indicate that the amount of gas released into the atmosphere will increase by 10 percent."

Essentially untrue. The increase in crude production, which took place in 1979 above the sacred figure of 2.2 million barrels per day, has been almost exclusively at the expense of heavy and extraheavy petroleum, whose production had been discontinued and which by definition had a very low gas to petroleum ratio. In more simple terms, the increase in the production of crudes has not meant a significantly greater production of gas.

Moreover, our present oilfields are short on gas for injection, therefore, it is incorrect to say that the additionally produced gas (if there is some) cannot be processed or injected.

#### Point Seven

"The increase in costs and spending in operations of the industry exceeds the increase in 1979 petroleum production and therefore the cost per barrel rises to 10.83 bolivars."

Obscure and Confused. Above we quoted what Pulido Mora said verbatim in EL NACIONAL. Do you understand it? We do not understand how the increase in costs and expenses (bolivars) can exceed the increase in production of petroleum (barrels). That is adding apples and oranges. If what Pulido Mora wishes to say is that the increase in costs and expenses of the industry is greater than the additional revenues obtained by rising prices, that is also untrue. Pulido Mora seems to speak of costs in 1979 bolivars and revenues in 1973 bolivars, and it seems to us that such comparison is not very orthodox even in Venezuela. We either speak of 1973 bolivars or 1979 bolivars but we do not mix the two concepts because then it will really become true that no analysis can be reliable. In any case, it seems clear that petroleum revenues by far exceed the increases in the costs per barrel produced.

#### Point Eight

"The subsidy for domestic consumption increases and the nationalized petroleum industry ceases to receive the difference between the international price received for petroleum byproducts and their domestic price."

Completely true. The difference between the sale price of products on the international market and the domestic market is already so great that not only are we selling below production costs (a serious error) but the country is not receiving large amounts of revenue from domestic sales. The solution is, of course, the raising of the per barrel price on the domestic market. As Pulido Mora knows very well, that measure would be so terribly unpopular that our governments would think twice before adopting it.

#### Point Nine

"Before 1976 the fiscal share of the petroleum sector represented percentages above 79 percent of total received revenues. As of that year, its contributions (those of the petroleum industry) to the government declined under of the pretext of renovation and recovery of the industry."

Untrue and unfair. Contrary to the percentage subtleties, to which some economists appear to be particularly addicted, the truth is that the nationalized petroleum industry has had an excellent financial history. Fiscal receipts for 1979, mentioned by Pulido Mora himself, will be some 57 bolivars per barrel, compared to 30.58 bolivars per barrel in 1974. While it is true that a 1979 bolivar is not as strong as a bolivar

in 1974, it is also true that such difference should also establish itself in expenditures (costs and investments) of the industry. As we said before, the two concepts cannot be mixed for purposes of making an analysis easier because such a concept wrecks all credibility from an analysis.

It is unfair to suggest that government revenues decreased "because of the pretext of renovation and recovery of the industry." In a country which has misspent so many millions of bolivars, it seems unreasonable that investments and operation costs destined to guarantee the continued capability to generate revenues by the petroleum industry can be defined as Pulido Mora does, as "pretexts." What Pulido Mora calls "pretexts" we define as "needs." Perhaps the reader would like to see some specific examples:

Accelerated exploration activity.

Incremental efforts in repairing wells and developmental drilling.

Changes in refining patterns.

Modernization of the oil fleet and domestic market installations.

We leave it up to the judgement of the reader to establish whether these investments are pretexts or needs.

#### Point 10

"The theoretical lifetime of proved reserves decreased from 23.3 years in 1978 to 21.5 years in 1979."

Academically true but in practice irrelevant. The concept of proved reserves current in Venezuela is very conservative and is certainly not the same one used in the United States, which is given in terms of two parameters: economic feasibility and certainty factor. Our proved and semiproved reserves would be on the order of 50 billion barrels and would have a theoretical lifetime of some 60 years.

What is truly important, however, is that Venezuela has hydrocarbon reserves and resources that together will provide us more than 200 years of petroleum production at the present rate or will allow us to increase production in the medium term if it were necessary and desirable. Therefore, the figures by Pulido Mora should not be the object of concern and it is unfortunate that EL NACIONAL gave them prominence in the subtitles because they have very little relevance.

#### Point 11

"The aggravated petroleum picture in which production is forced... astronomical investments are made...with an increase in its costs and operation expenses..."

Exaggerated. If there is one sector in Venezuela which is not doing badly, it is the petroleum sector. Obviously it requires large amounts of expenditures and it is well that this is clearly understood. Each deep exploratory well costs between 15 and 40 million bolivars; a steam injection plant of the M-6 type costs at least 500 million bolivars and a 35,000-ton tanker costs some 65 million bolivars. If these and other expenditures are not made, the industry would not be able to maintain its capability to produce revenues. Pulido Mora's concern should be concentrated--as he does correctly further on in his analysis--on "the low buying power of the bolivar spent by the state sector," and allow the petroleum sector make its expenditures, all of which are very profitable and given priority by the home office.

#### Point 12

Speaking of Venezuelan petroleum prices, Pulido Mora mentions that "Great harm has been done to the population by making them believe that the price of Venezuelan petroleum is already \$28 per barrel." Further on he adds: "What counts is not the announced prices, which have been revealed to public opinion, but those actually obtained through supply contracts which include discounts, today euphemistically called readjustments."

Unfair and mistaken. In the first place, no one is making the Venezuelan people believe that the price of Venezuelan petroleum is \$28 per barrel. When the industry mentions such a figure it is always added, as Pulido Mora does in his analysis, that this represents a price which refers to light Arab benchmark crude. Whoever reads the Venezuelan Petroleum Annual Report will be able to see that the average prices of exported petroleum are clearly mentioned there. They have climbed from \$12.5 in 1977 to \$18 in 1979. The petroleum sector has never said anything other than this and the unfair sentiments on this subject created in some circles of opinion of the country is due more to improper reading than anything else.

In the second place, the assertion by Pulido Mora that Venezuela does not sell its petroleum at announced prices but at a discount is not true. Venezuela has been selling its petroleum at announced prices or above announced prices, with premiums linked to the properties of each crude which sometimes reach up to \$3 per barrel above the announced price. This is possible because of the favorable conditions of the market. If the market deteriorates in the future, that deterioration will inevitably be reflected in the announced prices, since our petroleum has to compete with others. To speak of discounts at this time is a mistake but it is also mistaken to believe that customers can always be forced to buy petroleum at the price one desires.

Point 13

The table that Ivan Pulido Mora shows at the end of his analysis has important omissions which would clarify the analysis. For example, it shows there that the treasury share in 1974 was 9,457,000,000 bolivars compared to a share of 8,912,000,000 bolivars in 1979. The obvious conclusion is that the share has dropped, but Pulido Mora forgets to mention that 2,976,000,000 barrels per day were produced, which means a trifling 600,000 barrels per day more than in 1979. Therefore, the conclusion is opposite to the one suggested by Pulido Mora, since the fiscal share per barrel produced in 1979 is greater than that obtained in 1974.

In a like manner, the decline in revenues to constant values of 1973, should be accompanied by a list of expenses and costs at similarly constant values. Then perhaps we could compare the income/outgo ratio with greater objectivity.

Therefore, the petroleum analysis by Ivan Pulido Mora presents many obscure points, others of doubtful validity and some which are clearly distortions. The good faith of Pulido Mora is obvious and is not in doubt. However, we believe that his analysis loses strength in the degree that it confuses the reader on the subject of petroleum.

#### Energy Ministry Answers Criticism

Caracas RESUMEN in Spanish 9 Mar 80 pp 30-32

[Text] This report, possibly written by Minister Calderon Berti himself and some of the experts of the ministry, among whom would be Arevalo Guzman Reyes, refutes the statements and conclusions on petroleum made by Dr Pulido Mora in the previous edition of RESUMEN.

With respect to the press article published by RESUMEN in its edition No 330 in which allusion is made to various changes in petroleum prices during 1979, it must be made clear that the OPEC Petroleum Ministers Meeting was held in Abu Dhabi on 16 and 17 December 1978 and not in Geneva as is stated in that article. At that time the following resolution was adopted on petroleum prices: "The Conference reviewed the report of the Economic Commission and observed with great concern the high rate of inflation and depreciation of the dollar sustained during the past 2 years and therefore, the substantial erosion in petroleum revenues of the member countries and the adverse effects on their economic and social development. However, in order to help the growth of world economy and also to support the efforts tending to strengthen the American dollar and reduce inflationary rates, the conference decided to only partially correct the price of petroleum

by an average of 10 percent in 1979. However, as a gesture of good will, the conference decided that those adjustments would be made in quarterly and cumulative steps:

5.000 percent on 1-1-79  
3.809 percent on 1-4-79  
2.294 percent on 1-7-79  
2.691 percent on 1-10-79 "

These prices would place the price of light Arab benchmark crude of API 34 at the following levels:

From \$12.7 per barrel on 31-12-78 to  
\$13.335 per barrel on 1-1-79  
\$13.843 per barrel on 1-4-79  
\$14.161 per barrel on 1-7-79  
\$14.542 per barrel on 1-10-79

As can be seen, these increases would never make the price of benchmark petroleum rise to \$24 per barrel in the last quarter of 1979, as is stated in the aforementioned press article.

The application of this resolution, in the case of Venezuela, caused the price to change from \$12.24 per barrel at the end of 1978 to an average of \$12.87 per barrel in the first quarter of 1979. Subsequently, on 26 and 27 March 1979, OPEC agreed on the following in Geneva:

"Despite the great differences existing between prices prevailing on the open market and OPEC official prices, the conference decided to make a moderate adjustment in the price, making the adjustments agreed upon at the Abu Dhabi Conference of December 1978 retroactive to 1-4-79. This adjustment would place the price of benchmark crude at \$14.546 per barrel as of 1-4-79. In addition to the aforementioned adjustment, each member country could add to its price a market premium in keeping with its own circumstances."

In the case of Venezuela, this adjustment resulted in an average price of approximately \$14.89 per barrel.

Around the middle of May, as a result of the visit by the minister of energy and mines to the countries of the Middle East, Venezuela decided to increase the market premium for light and medium crudes by \$.60 per barrel, raising the premium from \$1.20 per barrel, in existence since 1-4-79, to \$1.80 per barrel effective as of 15-5-79. In this case, the resulting average price for Venezuela was \$15.36 per barrel. Subsequently, in the conference held in Geneva between 26 and 28 June, it was decided to do the following in the matter of prices:

"The conference expressed its great concern over the continuing abnormal conditions prevailing on the international petroleum market, where demand has continued to be a source of pressure on the price structure, resulting in several phenomena which generate difficulties for the producers as well as for the consumers, particularly the developing countries. The conference once more asks the main industrialized countries to control their overall demand, whether it be for consumption or for stockpiling, so that the adverse effects on the present situation of the market can be prevented. The conference also warns the petroleum companies on the irresponsible way in which they have taken advantage of the situation to obtain exaggerated profits and it asks them to play a more constructive role with respect to the guarantee of supplies to the developing countries and prevention of price speculation."

In an effort to stabilize the market, the conference approved the following:

1. Adjust the price of benchmark crude from the present price of \$14.54 per barrel to \$18 per barrel.
2. Allow the member countries to add a maximum market premium of \$2 per barrel to the price of their crude above their normal differential, provided that this market premium is necessary because of market conditions.
3. The maximum price shall not exceed \$23.50 per barrel, regardless of the quality, geographical advantage or the market premium."

With these price agreements, the resulting average price for Venezuela was \$18.03 per barrel.

Subsequently, Venezuela, because of the prevailing conditions of the market, decided to adjust its announced prices, increasing them by an average of \$.53 per barrel as of 1-10-79, when they averaged \$18.56 per barrel.

Finally, on 14-12-79, the Executive Branch, through the offices of the Ministry of Energy and Mines, once more decided to modify announced prices, the average price going from \$18.56 per barrel to \$22.38 per barrel, an average increase of \$3.82 per barrel.

All these increases during the course of 1979, together with those of residual fuel and other products which are changed every month, resulted in an average price for the year of approximately \$17.55 per barrel, which compared with the average of \$12.24 per barrel at the end of 1978 meant an increase of 43.38 percent.

It must be pointed out that this sales price is an average of the total of Venezuelan crudes and byproduct exports, the average specific gravity in the case of the crudes being 24 API due to the large share of crudes with gravities below 30 API. This means that the great diversity of Venezuelan crudes provides our export structure with certain differences with respect to the light Arab benchmark crude of 34 API.

Such differences result from the existence of crudes with higher or lower gravities than that of the benchmark crude, which obviously are reflected by the differences in prices with respect to this crude used as a reference point on which the system of prices for Venezuelan export crudes is based.

In the Venezuelan case, adjustments in announced prices of some representative crudes have been the following:

Crude	API Rating	Price on 31-12-78	Price on 31-12-79	Percentage Increase
Lago Liviano	41	14.35	28.00	95.12
Oficina	34	13.99	26.75	91.21
T.J. Mediano	24	12.39	22.93	85.07
Bachaquero	17	11.38	20.50	80.14

#### National Share

With respect to the national share in the petroleum industry, it is contained in two large items: the treasury share consisting mainly of income tax and royalties, and the business share in turn consisting of net profits and legal contributions to PDVSA. Both shares have traditionally been called national petroleum revenues, which under the concessionaire system was only the equivalent of the treasury share because the CVP [Venezuelan Petroleum Corporation] received relatively insignificant profits by comparison with the treasury share. On the other hand, the profits of the multinationals were remitted to their home offices.

Now, with the nationalized industry, both shares belong to the nation. Its share in 1979, according to preliminary figures, was 83.87 percent of the total of revenues obtained by the industry in 1979. This provides a national petroleum revenue of 56.03 bolivars per barrel produced, for a treasury share of 42.79 bolivars per barrel and 13.51 bolivars per barrel for the business share. For 1978, those ratios were 78.48 percent of the total revenues of the industry: 38.64 bolivars per barrel of national revenues, a per unit treasury share of 30.99 bolivars per barrel and 7.65 bolivars per barrel for the PDVSA.

## Status of Production Potential, Levels of Production and Utilization of Natural Gas

### Production Potential of Petroleum

With respect to petroleum production potential, it is worth noting that by December 1979 production was 2,424,000 barrels per day, which when compared with the potential of December of the previous year, shows a decline of 19,400 barrels per day, the equivalent of a decline of .79 percent.

On the other hand, this year an attempt will be made to maintain that potential at 2.4 million barrels per day, for which purpose the necessary efforts will be made in drilling outpost and development wells, as well as in reconditioning and servicing work on inactive wells. This means that the percentage of production with respect to potential, with a scheduled production of 2,222,000 barrels per day, will be 92.5 percent this year. Technically, and because of the concept maintained when calculating the figures of production potential, these levels do not harm the final recovery of the fields. Average petroleum production up to 20 February 1980 is 2,248,000 barrels per day, representing a decrease of 108,000 barrels per day if it is compared with average production in 1979, which was the equivalent of 92.7 percent of the figure of production potential for December 1978.

### Production and Distribution of Natural Gas in Venezuela

Period (1975-1979)

(millions of cubic meters)

Year	Produced	Injected	%	Fuel and other uses	%	Released into the atmosphere	%
1975	38,000	20,968	55.2	12,748	33.5	4,284	11.3
1976	37,135	20,500	55.2	13,587	36.6	3,048	8.2
1977	37,512	19,855	52.9	14,829	39.6	2,828	7.5
1978	34,842	17,821	51.2	14,729	42.2	2,292	6.6
1979	36,943	18,317	49.6	16,298	44.1	2,328	6.3

### Gas Distribution

Thousands of Cubic Feet Daily

Year	Produced	Injected	%	Fuel and other uses	Released into the atmosphere	%
1975	3,676.60	2,025.72	55.17	1,232.94	33.54	414.97
1978	3,371.20	1,724.16	51.15	1,425.30	42.27	222.12
1979	3,574.36	1,772.23	49.58	1,576.89	44.12	225.24

### Production and Distribution of Natural Gas

Production of natural gas during the 1975-79 period was maintained almost stable, with an annual average of 36,886,000,000 cubic meters. With respect to injected gas, the average annual percentage compared to the amount produced is 52.8 percent. On the other hand, under fuel and other uses, the increase has gone from 12,748,000,000 cubic meters in 1975 to 16,298,000,000 cubic meters in 1979, which represents an interannual increase of 710 million cubic meters. The gas released into the atmosphere has been decreasing in percentage as well as in volume, going from 4,284,000,000 cubic meters in 1975 to 2,328,000,000 cubic meters in 1979, which represents 6.3 percent with respect to the total produced. It is to be noted that the use of gas economically recoverable is 98 percent of the total produced.

As far as the Weekly Letter is concerned, it is well to point out that information was modified in that publication with respect to production levels in order to make it more understandable to the public reader, who is not familiar with the terminology of the petroleum industry, and on the other hand, to progressively reflect the effort made by the office to attain the average level of production scheduled for the present year.

**Production Potential**

Class	December		December		1979
	Thousands of bbls daily	%	Thousands of bbls daily	%	
Light	776.6	31.8	680.3	28.1	
Medium	862.2	35.3	694.7	28.7	
Heavy	804.6	32.9	1,049.0	43.2	
Total	2,443.4		2,424.0		
Average 1979 production				2,356,362	
Average production from 1-1-80 to 20-02-80				2,248,296 bbls/d	
Average reduction in production				108,066	
December potential				2,424,000 bbls/d	
Percentage of production				92.56 %	
1980					
Estimated production				2,222,000 bbls/d	
Potential				2,400,000 bbls/d	
Percentage of production				92.56 %	

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WORLDWIDE SERIAL REPORTS

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